

Committee on Revenue  
Summary and Disposition of Bills

One Hundred Sixth Legislature  
First Session  
May, 2019

Senator Lou Ann Linehan, Chair

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# COMMITTEE ON REVENUE

106th Legislature

2019

## *Members of Committee*

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Senator Curt Friesen, Vice Chairperson .....	District 34, Henderson
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Senator John McCollister .....	District 20, Omaha

## *Committee Staff*

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**Table of Contents**

**Bills Referenced to the Revenue Committee 2019**.....1

**Constitutional Amendment**

- LR 3 CA (Erdman)
- LR 8 CA (Linehan)

**Income Tax**

- LB 50 (Vargas)
- LB 84 (Wayne)
- LB 153 (Brewer)
- LB 182 (Bolz)
- LB 263 (Clements)
- LB 276 (McCollister)
- LB 288 (Linehan)
- LB 477 (Vargas)
- LB 615 (Hilgers)
- LB 661 (Friesen)
- LB 664 (Friesen)
- LB 714 (Crawford)
- LB 738 (Wayne)

**Nebraska Educational Savings Trust (NEST 529)**

- LB 470 (La Grone)
- LB 545 (Wayne)
- LB 610 (Lindstrom)
- LB 688 (Cavanaugh)
- LB 705 (Murman)

**Property Tax**

- LB 63 (Groene)
- LB 103 (Linehan)
- LB 134 (Stinner)
- LB 158 (Brewer)
- LB 183 (Briese)
- LB 185 (Friesen)
- LB 250 (Walz)
- LB 289 (Linehan)
- LB 303 (Lindstrom)
- LB 314 (Briese)
- LB 372 (Erdman)

LB 420 (Bolz)  
LB 444 (McDonnell)  
LB 473 (Dorn)  
LB 482 (Erdman)  
LB 483 (Erdman)  
LB 493 (Erdman)  
LB 497 (Friesen)  
LB 506 (Briese)  
LB 529 (Groene)  
LB 530 (Groene)  
LB 601 (Lindstrom)  
LB 663 (Friesen)  
LB 677 (Groene)

### **Sales Tax**

LB 13 (Blood)  
LB 18 (Briese)  
LB 162 (Hunt)  
LB 170 (Hunt)  
LB 187 (Lindstrom)  
LB 218 (Lindstrom)  
LB 236 (Crawford)  
LB 237 (Crawford)  
LB 242 (Lindstrom)  
LB 279 (Bostelman)  
LB 284 (McCollister)  
LB 290 (Linehan)  
LB 291 (Linehan)  
LB 349 (Friesen)  
LB 410 (Kolowski)  
LB 429 (Wayne)  
LB 441 (McCollister)  
LB 456 (Lathrop)  
LB 472 (Dorn)  
LB 507 (Briese)  
LB 508 (Briese)  
LB 585 (Friesen)  
LB 614 (Crawford)

### **Tax Credits and Incentives**

LB 5 (Blood)  
LB 69 (M. Hansen)  
LB 88 (Wayne)  
LB 222 (Albrecht)

LB 266 (Lindstrom)  
LB 272 (Morfeld)  
LB 310 (Vargas)  
LB 357 (Walz)  
LB 413 (Brandt)  
LB 417 (Friesen)  
LB 419 (Bolz)  
LB 437 (Linehan)  
LB 535 (Cavanaugh)  
LB 542 (Lowe)  
LB 560 (Geist)  
LB 605 (Lindstrom)  
LB 613 (Crawford)  
LB 623 (Williams)  
LB 628 (Pansing Brooks)  
LB 670 (Linehan)  
LB 720 (Kolterman)  
LB 724 (Vargas)

**Miscellaneous**

LB 4 (Stinner)  
LB 76 (Williams)  
LB 86 (Wayne)  
LB 97 (Wayne)  
LB 315 (Kolterman)  
LB 338 (Wayne)  
LB 393 (Groene)  
LB 440 (Walz)  
LB 463 (Williams)  
LB 512 (Linehan)  
LB 523 (Linehan)  
LB 707 (Erdman)  
LB 710 (Cavanaugh)

**Bills Referenced to the Revenue Committee - By Bill Number**  
**106<sup>th</sup> Legislature – First Session of the Legislature of Nebraska – January 2019**

<b>LB #</b>	<b>Introducer</b>	<b>One Liner</b>	<b>Hearing Date</b>	<b>Exec Session Date</b>	<b>Committee Amendments</b>	<b>Disposition at Sine Die</b>	<b>Signed by Governor</b>	<b>Comments</b>
<b>LB 4</b>	Stinner	Change mileage reimbursement and filing fees under the Tax Equalization and Review Commission Act	1/25/19	2/1/19; Advanced to General File, 6-0-2	None	Final Reading		
<b>LB 5</b>	Blood	Change the Beginning Farmer Tax Credit Act	1/23/19	None		In Committee		
<b>LB 13</b>	Blood	Provide a sales tax exemption for breast pumps and related supplies and exempt breastfeeding from public indecency offenses	1/25/19	2/21/19; Advanced to General File, 6-2-0	AM 147	Enacted with LB 209		-Committee Amendment-AM 147 – pending -Amended into LB 209 with AM 1875
<b>LB 18</b>	Briese	Adopt the Remote Seller Sales Tax Collection Act	1/31/19	None		In Committee		
<b>LB 50</b>	Vargas	Change individual income tax brackets and rates	1/23/19	None		In Committee		
<b>LB 63</b>	Groene	Change tax levy provisions relating to rural and suburban fire protection districts and change the Mutual Finance Assistance Act	1/24/19	1/29/19; Advanced to General File, 8-0-0	AM 77	Passed on Final Reading w/ E-Clause, 45-0-4	Approved, 3/7/19	-Committee Amendment-AM 77 - adopted
<b>LB 69</b>	M. Hansen	Provide income tax credits for caregivers as prescribed	1/23/19	None		In Committee		
<b>LB 76</b>	Williams	Change provisions relating to the nameplate capacity tax	2/8/19	3/12/19; Advanced to General File, 5-1-2	None	General File		

LB #	Introducer	One Liner	Hearing Date	Exec Session Date	Committee Amendments	Disposition at Sine Die	Signed by Governor	Comments
LB 84	Wayne	Provide a tax deduction for wages paid to individuals convicted of a felony	1/23/19	None		In Committee		
LB 86	Wayne	Change provisions for redevelopment plans for extremely blighted areas under the Community Development Law and change funding provisions under the Nebraska Affordable Housing Act	1/25/19	3/18/19	AM 792	Passed on Final Reading, 47-0-2	Approved, 5/30/19	-Committee Amendment- AM 792 – adopted -Wayne Priority Bill
LB 88	Wayne	Provide an income tax credit for certain purchases of a residence	1/23/19	3/18/19	AM 791	Enacted with LB 86		- Committee Amendment- AM 791 – pending - Amended into LB 86 with AM 1199
LB 97	Wayne	Change provisions relating to highway funding	3/27/19	None		In Committee		
LB 103	Linehan	Change the procedure for setting a political subdivision's property tax request	1/24/19	2/1/19; Advanced to General File, 7-0-1	AM 116	Passed on Final Reading w/ E-Clause, 47-0-2	Approved, 3/12/19	-Committee Amendment- AM 116 - adopted
LB 134	Stinner	Provide levy authority and duties for natural resources districts	1/30/19	None		In Committee		
LB 153	Brewer	Change provisions relating to the taxation of military retirement benefits	2/7/19	5/16/19; Advanced to General File, 6-1-1	None	General File		-Lowe Priority Bill
LB 158	Brewer	Change provisions relating to the assessed value of real property	1/24/19	None		In Committee		
LB 162	Hunt	Impose sales and use taxes on certain services	3/1/19	None		In Committee		

<b>LB #</b>	<b>Introducer</b>	<b>One Liner</b>	<b>Hearing Date</b>	<b>Exec Session Date</b>	<b>Committee Amendments</b>	<b>Disposition at Sine Die</b>	<b>Signed by Governor</b>	<b>Comments</b>
<b>LB 170</b>	Hunt	Provide a sales and use tax exemption for feminine hygiene products	1/25/19	None		In Committee		
<b>LB 182</b>	Bolz	Adopt the School District Local Option Income Surtax Act	2/13/19	None		In Committee		
<b>LB 183</b>	Briese	Change the valuation of agricultural land and horticultural land for purposes of certain school district taxes	1/24/19	2/1/19; Advanced to General File, 7-1-0	AM 158	Failed to advance to Final Reading; Select File		-Committee Amendment- AM 158 – adopted -Briese Priority Bill
<b>LB 185</b>	Friesen	Change provisions relating to the special valuation of agricultural and horticultural land	1/30/19	2/1/19; Advanced to General File, 8-0-0	None	Passed on Final Reading, 47-0-2	Approved, 3/12/19	
<b>LB 187</b>	Lindstrom	Change the Sports Arena Facility Financing Assistance Act	2/22/19	None		In Committee		
<b>LB 218</b>	Lindstrom	Redefine real property and gross receipts for tax purposes	2/22/19	3/12/19; Advanced to General File, 7-0-7	AM 536	Passed on Final Reading w/ E-Clause, 48-0-1	Approved, 5/29/19	-Committee Amendment – AM 536 – adopted -Speaker Priority Bill
<b>LB 222</b>	Albrecht	Change the Volunteer Emergency Responders Incentive Act	2/1/19	2/21/19; Advanced to General File, 8-0-0	AM 424	Passed on Final Reading, 46-0-3	Approved, 5/1/19	-Committee Amendment- AM 424 – adopted -Speaker Priority Bill
<b>LB 236</b>	Crawford	Change access to sales and use tax information with respect to the Nebraska Advantage Transformational Tourism and Redevelopment Act	2/22/19	3/12/19; Advanced to General File, 7-0-1		General File		



<b>LB #</b>	<b>Introducer</b>	<b>One Liner</b>	<b>Hearing Date</b>	<b>Exec Session Date</b>	<b>Committee Amendments</b>	<b>Disposition at Sine Die</b>	<b>Signed by Governor</b>	<b>Comments</b>
<b>LB 237</b>	Crawford	Change provisions relating to sales and use tax collection fees and authorize use of certain fees for revenue enforcement	2/22/19	3/14/19; Advanced to General File, 6-2-0	AM 676	Passed on Final Reading, 44-4-1	Approved, 5/8/19	-Committee Amendment-AM 676 – adopted -Speaker Priority Bill
<b>LB 242</b>	Lindstrom	Adopt the Infrastructure Improvement and Replacement Assistance Act and provide for a turnback of state sales tax revenue	2/22/19	None		In Committee		
<b>LB 250</b>	Walz	Change provisions relating to agricultural land and horticultural land receiving special valuations	1/30/19	None		In Committee		
<b>LB 263</b>	Clements	Change provisions relating to the taxation of military retirement benefits	2/7/19	None		In Committee		
<b>LB 266</b>	Lindstrom	Change the School Readiness Tax Credit Act	2/1/19	3/12/19; Advanced to General File, 5-1-2	None	General File		
<b>LB 272</b>	Morfeld	Adopt the Apprenticeship Training Program Tax Credit Act	2/1/19	None		In Committee		
<b>LB 276</b>	McCollister	Change provisions relating to the taxation of income from certain small business corporations and limited liability companies	2/13/19	None		In Committee		
<b>LB 279</b>	Bostelman	Provide a sales and use tax exemption for food sold by veterans service organizations	3/7/19	None		In Committee		

LB #	Introducer	One Liner	Hearing Date	Exec Session Date	Committee Amendments	Disposition at Sine Die	Signed by Governor	Comments
<b>LB 284</b>	McCollister	Change sales and use tax provisions relating to out-of-state retailers and multivendor marketplace platforms	1/31/19	2/21/19; Advanced to General File, 8-0-0	AM 392	Passed on Final Reading w/ E-Clause, 43-0-6	Approved, 3/21/19	-Committee Amendment-AM 392 – adopted -McCollister Priority Bill
<b>LB 288</b>	Linehan	Change income tax rates	2/1/19	5/16/19; Advanced to General File, 6-1-1	AM 1594	General File		-Committee Amendment-AM 1594 – pending -Revenue Committee Priority Bill
<b>LB 289</b>	Linehan	Change provisions relating to county assessor inspections of real property for property tax purposes	2/1/19	4/30/19; Advanced to General File, 6-0-2	AM 1572	General File		-Committee Amendment-AM 1572 – pending -Revenue Committee Priority Bill
<b>LB 290</b>	Linehan	Change the sales and use tax rate	2/1/19	None		In Committee		
<b>LB 291</b>	Linehan	Change sales and use tax provisions	1/31/19	None		In Committee		
<b>LB 303</b>	Lindstrom	Change the amount of relief under the Property Tax Credit Act	2/27/19	4/10/19; Advanced to General File, 6-0-2	None	General File		
<b>LB 310</b>	Vargas	Change procedures for tax credits under the Nebraska Job Creation and Mainstreet Revitalization Act	2/13/19	3/10/19; Advanced to General File, 6-1-1	AM 739	General File		-Committee Amendment-AM 739 - pending
<b>LB 314</b>	Briese	Adopt the Remote Seller Sales Tax Collection Act and change revenue and taxation provisions	2/14/19	None		In Committee		

<b>LB #</b>	<b>Introducer</b>	<b>One Liner</b>	<b>Hearing Date</b>	<b>Exec Session Date</b>	<b>Committee Amendments</b>	<b>Disposition at Sine Die</b>	<b>Signed by Governor</b>	<b>Comments</b>
<b>LB 315</b>	Kolterman	Provide for an inheritance tax exemption and change certain inheritance tax proceedings	3/14/19	4/10/19; Advanced to General File, 8-0-0	None	Passed on Final Reading, 47-0-2	Approved, 5/29/19	
<b>LB 338</b>	Wayne	Change calculation of gasoline tax and distribution of proceeds	3/27/19	None		In Committee		
<b>LB 349</b>	Friesen	Provide sales and use tax collection duties for certain peer-to-peer rentals of vehicles	3/14/19	None		In Committee		
<b>LB 357</b>	Walz	Adopt the Direct Support Professional Tax Credit Act	2/13/19	None		In Committee		
<b>LB 372</b>	Erdman	Change provisions relating to classes and subclasses of agricultural land and horticultural land	1/30/19	2/1/19; Advanced to General File, 8-0-0	None	Passed on Final Reading, 47-0-2	Approved, 3/12/19	
<b>LB 393</b>	Groene	Increase the documentary stamp tax	2/8/19	None		In Committee		
<b>LB 410</b>	Kolowski	Exempt certain sales of clothing and footwear from sales and use taxes	3/15/17	None		In Committee		
<b>LB 413</b>	Brandt	Change application submission deadlines under the Nebraska Advantage Act	3/6/19	None		In Committee		
<b>LB 417</b>	Friesen	Change application deadlines under certain tax incentive programs	3/6/19	None		In Committee		
<b>LB 419</b>	Bolz	Change the Nebraska Advantage Act and create a fund and grant program	3/6/19	None		In Committee		

LB #	Introducer	One Liner	Hearing Date	Exec Session Date	Committee Amendments	Disposition at Sine Die	Signed by Governor	Comments
LB 420	Bolz	Adopt the Property Tax Circuit Breaker Act	2/21/19	None		In Committee		
LB 429	Wayne	Change tax provisions for cigars, cheroots, and stogies	3/27/19	None		In Committee		
LB 437	Linehan	Change application deadlines under the Nebraska Advantage Act	3/13/19	None		In Committee		
LB 440	Walz	Increase a tax on aviation jet fuel	3/27/19	None		In Committee		
LB 441	McCollister	Change provisions relating to certain sales and use tax refund deductions and applicability to municipalities as prescribed	3/1/19	None		In Committee		
LB 444	McDonnell	Provide a homestead exemption for certain dwelling complexes	2/21/19	None	Amended into LB 470 with AM 896	LB 470 Passed Final Reading w/ E-Clause, 43-2-4; Returned by Governor	LB 470 returned by Governor without approval, 6/4/19	-See LB 470 for amendment explanation
LB 456	Lathrop	Provide a sales and use tax exemption for certain machinery and equipment used to produce electricity	3/14/19	None		In Committee		
LB 463	Williams	Change provisions relating to treasurer's tax deeds and tax sale certificates	2/8/19	2/21/19; Advanced to General File, 8-0-0	None	Passed on Final Reading, 47-0-2	Approved, 3/21/19	-Williams Priority Bill

<b>LB #</b>	<b>Introducer</b>	<b>One Liner</b>	<b>Hearing Date</b>	<b>Exec Session Date</b>	<b>Committee Amendments</b>	<b>Disposition at Sine Die</b>	<b>Signed by Governor</b>	<b>Comments</b>
<b>LB 470</b>	La Grone	Exempt dwelling complexes located on United States Department of Defense military installations from taxes as prescribed and authorize and provide tax deductions for contributions to the Nebraska educational savings plan trust by employers and persons other than participants as prescribed	2/6/19	3/19/19; Advanced to General File, 5-0-2	AM 896	Passed Final Reading w/ E-Clause, 43-2-4; Returned by Governor	Returned by Governor without approval, 6/4/19	-Committee Amendment-AM 896 – adopted -La Grone Priority Bill
<b>LB 472</b>	Dorn	Adopt the Qualified Judgment Payment Act, authorize a sales and use tax, and require a property tax levy	3/13/19	3/19/19; Advanced to General File, 7-0-1	None	Passed on Final Reading, 43-6-0; Returned by Governor; Veto Overridden, 41-8-0	Returned by Governor without approval, 4/24/19; Veto Overridden, 4/30/19	-Dorn Priority Bill
<b>LB 473</b>	Dorn	Change revenue and taxation provisions relating to judgments against public corporations and political subdivisions, authorize certain loans, and provide powers and duties to the State Treasurer	2/18/19	None		In Committee		
<b>LB 477</b>	Vargas	Provide an income tax exemption for Segal AmeriCorps Education Awards	2/13/19	2/21/19; Advanced to General File, 7-1-0		General File		

<b>LB #</b>	<b>Introducer</b>	<b>One Liner</b>	<b>Hearing Date</b>	<b>Exec Session Date</b>	<b>Committee Amendments</b>	<b>Disposition at Sine Die</b>	<b>Signed by Governor</b>	<b>Comments</b>
<b>LB 482</b>	Erdman	Provide for an adjustment to the assessed value of destroyed real property	2/27/19	None		In Committee		-Provisions/portions of LB 482 were amended into LB 512 during floor debate.
<b>LB 483</b>	Erdman	Change the valuation of agricultural land and horticultural land	2/21/19	3/19/19; Advanced to General File, 7-1-0	None	General File		-Erdman Priority Bill
<b>LB 493</b>	Wayne	Change provisions relating to property tax exemptions under the Nebraska Housing Agency Act	2/18/19	None		In Committee		
<b>LB 497</b>	Friesen	Adopt the School District Property Tax Authority Act and change revenue and taxation provisions	2/14/19	None		In Committee		
<b>LB 506</b>	Briese	Adopt the Property Tax Request Limitation Act	2/27/19	None		In Committee		
<b>LB 507</b>	Briese	Impose sales tax on certain services and eliminate sales tax exemptions	3/1/19	None		In Committee		
<b>LB 508</b>	Briese	Impose sales and use taxes on certain services, eliminate sales tax exemptions, and use the increased revenue for property tax credits.	3/1/19	None		In Committee		
<b>LB 512</b>	Linehan	Change revenue and taxation provisions	1/31/19	2/21/19; Advanced to General File, 8-0-0	AM 423	Passed on Final Reading w/ E-Clause, 45-0-4	Approved, 5/30/19	-Committee Amendment – AM 423 – adopted -Moser Priority Bill

LB #	Introducer	One Liner	Hearing Date	Exec Session Date	Committee Amendments	Disposition at Sine Die	Signed by Governor	Comments
<b>LB 523</b>	Linehan	Provide a documentary stamp tax exemption for certain deeds and a property tax exemption for certain charitable organizations	2/8/19	None		In Committee		
<b>LB 529</b>	Groene	Change provisions relating to a property tax exemption for hospitals	2/28/19	None		In Committee		
<b>LB 530</b>	Groene	Change the valuation of agricultural land and horticultural land for property tax purposes	2/21/19	None		In Committee		
<b>LB 535</b>	Groene	Prohibit employment discrimination by qualified businesses under the Nebraska Advantage Act	3/15/19	None		In Committee		
<b>LB 542</b>	Lowe	Adopt the Firearm Safety Act and provide a tax credit	3/20/19	None		In Committee		
<b>LB 545</b>	Wayne	Change income tax provisions relating to the Nebraska educational savings plan trust and authorize employer contributions to the trust	2/6/19	None	Amended into LB 470 with AM 896	LB 470 Passed Final Reading w/ E-Clause, 43-2-4; Returned by Governor	LB 470 returned by Governor without approval, 6/4/19	-See LB 470 for amendment explanation
<b>LB 560</b>	Geist	Change provisions relating to tax credits under the Beginning Farmer Tax Credit Act	3/20/19	4/10/19; Advanced to General File, 8-0-0	AM 1414	Passed on Final Reading, 46-0-3	Approved, 5/17/19	-Committee Amendment – AM 1414 – adopted -Legislative Performance Audit Committee Priority Bill
<b>LB 585</b>	Friesen	Create the Renewable Fuel Infrastructure Program and provide for grants	3/13/19	3/21/19; Advanced to General File, 8-0-0	AM 953	Passed on Final Reading, 49-0-0	Approved, 5/8/19	-Committee Amendment – AM 953 – adopted -Murman Priority Bill

LB #	Introducer	One Liner	Hearing Date	Exec Session Date	Committee Amendments	Disposition at Sine Die	Signed by Governor	Comments
<b>LB 601</b>	Lindstrom	Change a property tax exemption relating to educational, religious, charitable, and cemetery organizations	3/27/19	None		In Committee		
<b>LB 605</b>	Lindstrom	Adopt the Renewable Chemical Production Tax Credit Act	3/20/19	None	Amended into LB 720 with AM 1614	LB 720 remains on Select File		-See LB 720 for amendment explanation
<b>LB 610</b>	Lindstrom	Adopt the Meadowlark Act, the Employer Matching Contribution Incentive Program, and the College Savings Plan Low-Income Matching Scholarship Program and change the Nebraska educational savings plan trust	2/6/19	3/21/19; Advanced to General File, 8-0-0	AM 917	Passed on Final Reading, 48-0-1	Approved, 5/30/19	-Committee Amendment – AM 917 – adopted -Lindstrom Priority Bill
<b>LB 613</b>	Crawford	Change application deadlines under certain tax incentive programs	3/6/19	None		In Committee		
<b>LB 614</b>	Crawford	Change revenue and taxation provisions	3/1/19	None		In Committee		
<b>LB 615</b>	Hilgers	Reduce income tax rates and provide for certain transfers from the Cash Reserve Fund	2/20/19	None		In Committee		
<b>LB 623</b>	Williams	Change provisions relating to qualifications under the Beginning Farmer Tax Credit Act	3/20/19	None	Amended into LB 560 with AM 1414	LB 560 passed on Final Reading, 46-0-3	Approved, 5/17/19	-See LB 560 for amendment explanation
<b>LB 628</b>	Pansing Brooks	Increase the earned income tax credit	2/7/19	None		In Committee		



<b>LB #</b>	<b>Introducer</b>	<b>One Liner</b>	<b>Hearing Date</b>	<b>Exec Session Date</b>	<b>Committee Amendments</b>	<b>Disposition at Sine Die</b>	<b>Signed by Governor</b>	<b>Comments</b>
<b>LB 661</b>	Friesen	Change income tax provisions and the distribution of certain income tax revenue	2/20/19	None		In Committee		
<b>LB 663</b>	Friesen	Change provisions relating to Nebraska adjusted basis	2/21/19	3/14/19; Advanced to General File, 8-0-0	None	Passed on Final Reading, 44-0-5	Approved, 5/1/19	-Friesen Priority Bill
<b>LB 664</b>	Friesen	Provide for certain income tax deductions	2/20/19	None		In Committee		
<b>LB 670</b>	Linehan	Adopt the Opportunity Scholarships Act and provide tax credits	3/7/19	4/10/19; Advanced to General File, 5-2-1	AM 1112	General File		-Committee Amendment – AM 1112 – pending -Linehan Priority Bill
<b>LB 677</b>	Groene	Change provisions of the Property Tax Credit Act and provide school district property tax relief aid	2/14/19	None		In Committee		
<b>LB 688</b>	Cavanaugh	Provide for contributions to the Nebraska educational savings plan trust from income tax refunds	2/6/19	None		In Committee		
<b>LB 705</b>	Murman	Provide for distribution of funds upon death from an achieve a better life experience account	2/6/19	None		In Committee		
<b>LB 707</b>	Erdman	Authorize the Tax Equalization and Review Commission to hold certain hearings by videoconference and telephone conference	3/13/19	None		In Committee		
<b>LB 710</b>	Cavanaugh	Change provisions relating to tobacco including sales, crimes, a tax increase, and distribution of funds	2/28/19	None		In Committee		

LB #	Introducer	One Liner	Hearing Date	Exec Session Date	Committee Amendments	Disposition at Sine Die	Signed by Governor	Comments
LB 714	Crawford	Adopt the Nebraska Industrial New Job-training Act and authorize the transfer of certain withholding taxes	3/15/19	None		In Committee		
LB 720	Kolterman	Adopt the ImagiNE Nebraska Act, Renewable Chemical Production Tax Credit Act, Customized Job Training Act, and Community Economic Opportunities Act and provide tax incentives	3/6/19	5/2/19; Advanced to General File, 6-0-2	AM 1614	Select File		-Committee Amendment – AM 1614 – adopted -Kolterman Priority Bill
LB 724	Vargas	Provide requirements for boards of directors in order to qualify for incentives under the Nebraska Advantage Act	3/15/19	None		In Committee		
LB 738	Wayne	Change individual income tax brackets and rates	3/15/19	None		In Committee		
LR 3 CA	Erdman	Constitutional amendment to provide income tax credits for property taxes paid	2/7/19	None		In Committee		
LR 8 CA	Linehan	Constitutional amendment to limit the total amount of property tax revenue that may be raised by political subdivisions	2/27/19	4/10/19		In Committee		

\*Aye - Nay - Absent - Present not voting

# Constitutional Amendment

## **LR 3 CA (Erdman) Constitutional amendment to provide income tax credits for property taxes paid**

### **Introduced Version:**

LR3CA would create a new section (VIII-14) to the Nebraska Constitution. The new section would provide a refundable credit against an individual's income tax in an amount equal to 35 percent of property taxes.

The property taxes must have been levied on real property located in Nebraska and paid by the taxpayer during the taxable year.

The credit is available for tax years beginning on or after January 1, 2021.

### **Disposition at Sine Die:**

LR 3 CA remains in committee.

## **LR 8 CA (Linehan, at the request of the Governor) Constitutional amendment to limit the total amount of property tax revenue that may be raised by political subdivisions**

### **Introduced Version:**

LR8CA proposes to cap the property tax revenue of a political subdivision at 3% of the amount raised in the prior fiscal year. Property tax revenue is defined as revenue raised from a tax that is assessed annually on the value of real and personal property.

The constitutional amendment will allow a political subdivision to exceed the 3% cap by a specific amount at a special election. The amount must be approved by a majority of the legal voters. The increased property tax request would be for one fiscal year.

The 3% cap will not apply to the property tax request to retire bonded indebtedness that has been approved according to law.

### **Disposition at Sine Die:**

LR 8 CA remains in committee.

# **Income Tax**

## **LB 50 (Vargas) Change individual income tax brackets and rates**

### **Introduced Version:**

The bill amends the individual income tax for tax years beginning or deemed to begin on and after January 1, 2019. The changes included:

- Adding a fifth bracket to the existing system;
- Increasing the filing threshold within each bracket;
  - The current highest marginal rate of 6.85% begins to apply when AGI for Married Filing Joint(MFJ) taxpayers reaches \$58,000;
  - The bill increases the application of this rate to \$199,00;
- The rate for the fifth bracket is 7.84% if AGI is \$200,00 or over for MFJ;
- An additional tax of 1% is imposed when Nebraska taxable income (as opposed federal Adjusted Gross Income) exceeds \$1 million and 2% for Nebraska taxable income in excess of \$2 million.

The bill provides for indexing of all amounts based on CPI.

### **Disposition at Sine Die:**

LB 50 remains in committee.

## **LB 84 (Wayne) Provide a tax deduction for wages paid to individuals convicted of a felony**

### **Introduced Version:**

The bill creates a new deduction for employers against individual income tax, corporate or fiduciary tax. The deduction is 65% of the wages paid to an individual who has been convicted of a felony in Nebraska or any other state. The deduction is only available for the first 12 months of the individual's employment and may not exceed \$20,000 for any one individual.

The bill is operative for taxable years beginning or deemed to being on January 1, 2020.

### **Disposition at Sine Die:**

LB 84 remains in committee.

**LB 153 (Brewer, at the request of the Governor) Change provisions relating to the taxation of military retirement benefits**

**Introduced Version:**

The bill repeals the current, one-time election for retired military to exempt a portion of their military retirement benefit income from tax. It replaces it with a 50% exemption for military retirement benefit income, to the extent it was included in federal adjusted gross income.

The change is applicable for tax years beginning or deemed to begin on or after January 1, 2020.

**Disposition at Sine Die:**

LB 153 was advanced to General File. LB 153 remains on General File.

**LB 182 (Bolz) Adopt the School District Local Option Income Surtax Act**

**Introduced Version:**

LB182 creates the School District Local Option Income Surtax Act (Act). A school board may pass a resolution to place the issue of a local option income surtax (surtax) on the ballot of a primary, general or special election. The surtax may be used for (a) property tax reduction or (b) building construction, remodeling and site acquisition, or both. Revenue generated for property tax reduction will be deposited in the school district's General Fund. Revenue generated for building construction, remodeling and site acquisition will be deposited in the school district's Special Building Fund.

A majority vote of the registered voters within the district is required before imposing a surtax. The surtax may not exceed 20% of an individual's state income tax liability less refundable credits. The surtax may not exceed five years. A majority vote of registered voters is required to rescind or modify a surtax prior to its expiration.

School districts shall notify the Tax Commissioner of the surtax rate by August 1 of each year and the tax shall be collected when individuals file their state income tax returns. The Tax Commissioner shall determine the amount of surtax owed to each school district and distribute such amounts on or before July 1 of each year.

The surtax will not increase a school district's general fund budget authority.

The Department of Revenue may adopt rules and regulations to carry out the provisions of this Act.

**Disposition at Sine Die:**

LB 182 remains in committee.

**LB 263 (Clements) Change provisions relating to the taxation of military retirement benefits**

**Introduced Version:**

Current law allows an individual to make a one-time election within two years of separation from the military under one of two options with regard to military retirement benefit income:

1. To exempt 40% of their income for seven consecutive years beginning with the year in which the election is made; or
2. To exempt 15% of their income for all taxable years beginning with the year in which they turn 67 years of age.

The bill would change the first option to allow the exemption to begin with the year in which the individual begins receiving military retirement benefits or the year in which the election is made, whichever is later. This would be effective for elections made after the effective date of the bill.

**Disposition at Sine Die:**

LB 263 remains in committee.

**LB 276 (McCollister) Change provisions relating to the taxation of income from certain small business corporations and limited liability companies**

**Introduced Version:**

The bill would repeal the special income tax provision for S corporations and limited liability companies. Under current law, such entities are allowed to exclude from federal AGI the portion of income or loss that is not derived from or connected with Nebraska sources as determined in section 77-2734.01.

Further, the bill requires Nebraska residents who are shareholders of an S corporation or members of an LLC to include in their Nebraska taxable income their proportionate share of federal income without the current statutory adjustment for non-Nebraska income.

The changes would apply to taxable years beginning or deemed to begin on or after January 1, 2020.

**Disposition at Sine Die:**

LB 276 remains in committee.

## **LB 288 (Linehan) Change income tax rates**

### **Introduced Version:**

LB288 would change both the individual and the corporate income tax rates for tax years beginning or deemed to begin on or after January 1, 2020. The bill, as introduced, is a placeholder bill.

### **Committee Amendment:** AM 1594 - pending

The amendment becomes the bill and provides as follows:

- Filers who itemize deductions on their federal return will be allowed to fully deduct their property taxes on their Nebraska return in spite of the federal limitation of \$10,000 for state and local taxes;
- Reinstates the Nebraska Additional Tax for married filing joint returns with federal adjusted gross income in excess of \$250,000 and \$200,000 for all other filers;
- Phases out the Nebraska Personal Exemption Credit in increments of 2% for all filers with federal adjusted gross income in excess of \$250,000;
- Subjects out-of-state corporations to the corporate income tax if they earn more than \$500,000 per calendar year from the sale of intangibles or services in this state; and
- Reduces the top corporate income tax rate by .10 per year over four years to bring the top marginal rate into conformity with the top individual marginal rate of 6.84%.

### **Disposition at Sine Die:**

LB 288 was advanced to General File as amended. LB 288 remains on General File.

## **LB 477 (Vargas) Provide an income tax exemption for Segal AmeriCorps Education**

### **Awards**

### **Introduced Version:**

The bill creates an exclusion from individual income tax for amounts received as a Segal AmeriCorps Education Award, to the extent such amount is included in adjusted gross income. The exclusion is available for taxable years beginning or deemed to begin on or after January 1, 2020.

After completing a term of service, AmeriCorps members are eligible to receive the Segal AmeriCorps Education Award to pay education costs at qualified institutions of higher education, for educational training, or to repay qualified student loans. The current maximum award is \$5,920.00 as of October 1, 2017.

### **Disposition at Sine Die:**

LB 477 was advanced to General File. LB 477 remains on General File.

**LB 615 (Hilgers) Reduce income tax rates and provide for certain transfers from the Cash Reserve Fund**

**Introduced Version:**

The bill phases in a reduction in the top individual and corporate income tax rates. Each November the Tax Rate Review Committee is to determine whether the expected rate of growth in net General Fund receipts is at least 3 ½ percent for the upcoming fiscal year and that the balance of the Cash Reserve Fund is at least \$500 million.

If so, the Committee must then certify such to the Tax Commissioner who shall reduce the individual and corporate income tax rates as prescribed and certify such to the State Treasurer who shall transfer \$75 million from the Cash Reserve Fund to the Property Tax Credit Cash Fund.

The Tax Commissioner reduces the top income tax rates each time the certification is received until both the individual and corporate income tax top rates are reduced to 5.99 percent. The current top rates are 6.84 percent for individual and 7.81 percent for corporate. Each change in rates shall take effect for the taxable year beginning or deemed to begin on or after the first January 1 following such reduction.

**Disposition at Sine Die:**

LB 615 remains in committee.

**LB 661 (Friesen) Change income tax provisions and the distribution of certain income tax revenue**

**Introduced Version:**

The bill reverses some of the income tax changes implemented in the past few years. It repeals the indexing of individual income tax brackets as of January 1, 2020 but retains the indexing of income thresholds for social security exclusion purposes.

It phases out the Nebraska personal exemption credit that was instituted last year under LB1090 (2018) by two percent for each \$2,500 (or \$1,250 in the case of married filing separate taxpayers) by which the taxpayer's AGI exceeds the amounts under Internal Revenue Code §68(b) as it existed prior to December 22, 2017. Such amounts are:

- \$300,000 in the case of a joint return or a surviving spouse;
- \$275,000 in the case of a head of household;
- \$250,000 in the case of an individual who is not married and who is not a surviving spouse or head of household; and
- \$150,000 in the case of a married individual filing a separate return.

These amounts are to be indexed for inflation.



It also reinstates what was known as the Nebraska Additional Tax for taxpayers whose income exceed these same amounts. The mathematical calculation amounts to taxing all income at the highest marginal rates rather than using the graduated bracket rates.

The increase in revenue from this bill is to be determined annually by the Department of Revenue and credited to the Property Tax Credit Cash Fund.

**Disposition at Sine Die:**

LB 661 remains in committee.

**LB 664 (Friesen) Provide for certain income tax deductions**

**Introduced Version:**

The domestic production activities deduction (DPAD) under section 199 of the Internal Revenue Code had been in effect since 2005. The DPAD was repealed by the Tax Cuts and Jobs Act of 2017 (TCJA), so that no deduction is allowed for tax years beginning after 2017.

LB664 would create a Nebraska level DPAD based on the federal deduction. It is computed as an amount equal to nine percent or the lesser of qualified production activities income (QPAI) or taxable income and is limited to 50 percent of Form W-2 wages attributable to domestic production.

QPAI means an amount equal to the excess, if any, of the taxpayer's domestic production gross receipts for the taxable year over the sum of the cost of goods sold that are allocable to gross receipts and other expenses, losses, or deductions which are properly allocable to such receipts.

Domestic production gross receipts means the gross receipts of the taxpayer which are derived from:

- Any lease, rental, license, sale, exchange, or other disposition of:
  - Qualifying production property which was manufactured, produced, grown, or extracted by the taxpayer in whole or in significant part within the United States;
  - Any qualified film produced by the taxpayer; or
  - Electricity, natural gas, or potable water produced by the taxpayer in the United States;
- In the case of a taxpayer engaged in the active conduct of a construction trade or business, construction of real property performed in the United States by the taxpayer in the ordinary course of such trade or business; or
- In the case of a taxpayer engaged in the active conduct of an engineering or architectural services trade or business, engineering or architectural services

performed in the United States by the taxpayer in the ordinary course of such trade or business with respect to the construction of real property in the United States.

Domestic production gross receipts shall not include gross receipts of the taxpayer which are derived from:

- The sale of food and beverages prepared by the taxpayer at a retail establishment;
- The transmission or distribution of electricity, natural gas, or potable water; or
- The lease, rental, license, sale, exchange, or other disposition of land.

Qualified production property means:

- Tangible personal property;
- Any computer software; and
- Any property described in section 168(f)(4) of the Internal Revenue Code of 1986, as amended.

The bill provides a lengthy definition of “qualified film.” It parallels the federal deduction with regard to S Corporations and partnerships, requiring the calculations to be done at the entity level. For individual taxpayers, adjusted gross income is substituted for taxable income. Qualified payments from a Co-Op may also be included in the deduction.

**Disposition at Sine Die:**

LB 664 remains in committee.

**LB 714 (Crawford) Adopt the Nebraska Industrial New Job-training Act and authorize the transfer of certain withholding taxes**

**Introduced Version:**

LB714 proposes to create the Nebraska Industrial New Job Training Act (Act). The Department of Economic Development (DED) will administer the Act. DED may adopt and promulgate rules and regulations to carry out the provisions of this Act.

The bill outlines the application process for a project under the Act. Employers will apply to DED. Information on the application shall include:

- The name of the employer
- The community college to be involved in the project
- Services and other assistance to be provided by the community college
- The number of new jobs to be created by the project
- The average wage expected to be paid for such new jobs.

DED will approve the project if the following conditions are met:

- The project will result in new jobs with an average wage more than the Nebraska average wage
  - Nebraska average wage means the most recent average weekly wage paid by all employers in all counties reported by the Department of Labor by October 1 of the year prior to the application.
- The project will provide industry-approved training
- The project will comply with the requirements of this Act.

After the project has been approved by DED, the employer and the community college will enter into an agreement to establish the project. The agreement shall include:

- Provisions addressing how project costs will be paid. This may include one or a combination of the following:
  - New job withholding payments to be received from new jobs created as a result of the project
  - Tuition, student fees, or special charges fixed by the board of governors to defray project costs
- A provision requiring that costs of on-the-job training for employees shall not exceed 50% of the annual gross payroll costs for such employees
- The number of new fulltime jobs and part-time jobs to be created and the level of wages and benefits to be paid for the new jobs
- Any payments required to be made by the employer

Any payments to be made by the employer under the terms of the agreement shall be considered a lien on the employer's business property until the payments are paid in full.

The community college is required to notify the Department of Revenue of the agreement as soon as possible. The Department of Revenue shall develop a system for tracking agreements entered into under the Nebraska Industrial New Job-training Act.

LB714 provides the guidelines for new job withholding payments. New job withholding payments means the payments made from the withholding taxes of employees which are used to pay project costs. These payments will be paid to the community college. The amount of the new job withholding payments will be based on the wages paid to employees in the new jobs based on the rate of pay and a percent of gross wages.

- For an employee with a rate of pay that is less than 200% of the Nebraska average wage, the new job withholding payment shall be an amount equal to one and .5% of the gross wages paid to such employee.

- For an employee with a rate of pay of at least 200% of the Nebraska average wage, the new job withholding payment shall be an amount equal to 3% of the gross wages paid to such employee.

The employer shall pay the new job withholding payments out of the amount of funds withheld from the employees' wages for state withholding taxes. The employer shall remit the amount of the new job withholding payments quarterly to the community college. The community college will be required to establish a special fund for the new job withholding payments. The monies in the special fund will finance the project. The new job withholding payments and the special fund into which they are paid shall be irrevocably pledged by a community college for the payment by a community college to finance the project.

If the amount of the new job withholding payments is more than the withholding taxes actually owed by the employer to the Department of Revenue, the the employer shall receive a credit against other withholding taxes due from the employer in the amount of the difference.

The employer shall certify to the Department of Revenue that the new job withholding payments paid to the community college are in accordance with an agreement. The employer will also provide other information as the Department of Revenue may require. A community college shall certify to the Department of Revenue the amount of new job withholding payments an employer has remitted to the community college and provide other information as the Department of Revenue may require.

An employee in a new job shall receive full credit with respect to payment of all withholding taxes due from the employee for the amount of any new job withholding payments made to community colleges pursuant to this Act.

Community colleges will report all agreements to DED. DED will be required to submit electronically an annual report on the Act to the Revenue Committee. The annual report will contain the information listed below.

- A listing of the approved projects. The list will include the community colleges and employers involved in the project. It will include a reference to the industry group of such employers under the Standard Industrial Classification System as compiled by the United States Department of Labor.
- The number of employees who entered training and the number of employees who completed training in each project and the wages and benefits paid to employees before and after training.
- The number of degrees or certificates awarded to employees by calendar year
- The number of employees employed full-time and part-time as a result of the project

- The rate of retention of employees one year after the completion of the training as reported by the employer.

The Department of Revenue will be required to electronically submit an annual report to the Revenue Committee. The annual report will contain the information listed below.

- The amount of new job withholding payments that employers have remitted to community colleges each year and cumulatively
- The total number of agreements entered into under the Act each year and cumulatively.

**Disposition at Sine Die:**

LB 714 remains in committee.

**LB 738 (Wayne) Change individual income tax brackets and rates**

**Introduced Version:**

The bill adds a fifth bracket to the individual income tax with a rate of 7.84%. This would apply to AGI of \$5,000,000 or more for married filing joint taxpayers and \$2,500,000 or more for all other filers. This new bracket would be effective for taxable years beginning or deemed to begin on or after January 1, 2020.

**Disposition at Sine Die:**

LB 738 remains in committee.

# Nebraska Educational Savings Trust (NEST 529)

## LB 470 (La Grone) Exempt dwelling complexes located on United States Department of Defense military installations from taxes as prescribed and authorize and provide tax deductions for contributions to the Nebraska educational savings plan trust by employers and persons other than participants as prescribed

### Introduced Version:

LB470 makes changes to the Nebraska Education Savings Plan Trust (“NEST”) and the Achieving a Better Life Experience Program (“ABLE”).

The ABLE program allows anyone to make contributions to an account. The NEST program currently allows only the “participant” (account owner) to make contributions to an account. The bill allows “nonparticipants” to also make contributions to NEST accounts.

A “nonparticipant” is defined under the bill as:

“...a person other than the participant who makes contributions to an account which is established under the Nebraska educational savings plan trust for the purpose of meeting the qualified higher education expenses of a beneficiary.”

Under current law, contributions to a NEST account may be deducted by the participant from federal adjusted gross income, or for corporations, federal taxable income, up to a maximum deduction of \$5,000 for taxpayers who are married filing separate and \$10,000 for all other taxpayers. The same caps apply to any contributions made to an ABLE account.

Under the bill, these caps on deductions would be removed and would allow nonparticipants to claim the same tax benefits as participants under a NEST account.

The operative date is set as January 1, 2020.

Technical Note: The bill does not clarify the tax year in which these changes would be applicable.

### Committee Amendment: AM 896 - adopted

The amendment becomes the bill. It combines various provisions of LB444 (McDonnell) to exempt military housing from property tax, LB470 (La Grone) to streamline contributions under the Nebraska Educational Savings Plan Trust (“NEST”) and LB545 (Wayne) to authorize employer contributions to employee plans under the NEST program.

LB444 (McDonnell)

The amendment exempts certain military housing from real property taxation. In *Offutt Housing Co. v. Sarpy County*, 351 U.S. 253 (1956), 76 S. Ct. 814, 100 L. Ed. 1151, the

State and U.S. Supreme Courts held that to the extent this type of property may be taxed by a state or local authority, it must be taxed as personal property rather than real property.

The amendment exempts from personal property taxation "a dwelling complex and any related amenities located on a United States Department of Defense military installation in this state "developed pursuant to a federal military housing privatization initiative." The developer is required to make payments in lieu of taxes ("PILOTS") to:

- Schools at 100% of real property taxes that would otherwise be due;
- The county at 5% of taxes otherwise due for the county general fund, which the county may waive; and
- A new infrastructure maintenance fund, administered by the State Auditor, at 95% of taxes otherwise due which may only be used for capital repair, maintenance and improvement of the housing development.

The amendment provides for certification requirements due to the Department of Revenue and enforcement authority if needed through the Attorney General. The property is still required to be valued by the county. The operator of the complex must determine and certify to the county the number of units not leased to members of the military and pay taxes on these units accordingly.

#### LB470 (La Grone)

The amendment authorizes any nonparticipant to contribute to a NEST account and qualify for the same deduction from Adjusted Gross Income (\$5,000 married filing separate or \$10,000 for all other filers) as if they were a participant (owner) of the account. If the account is canceled for cause, the nonparticipant receives their own contributions back. This eliminates the requirement that every contributor must open their own NEST account for the same beneficiary in order to claim the deduction.

#### LB545 (Wayne)

The amendment authorizes employers to make contributions to NEST accounts owned by an employee. The amendment allows the employee/owner of a NEST account to include any contributions made by their employer towards the deduction of \$5,000 or \$10,000 from AGI. If the account is canceled for cause, the participant receives their own contributions back plus the employer contribution. An employer making such a contribution may not claim a deduction as a "nonparticipant."

Contributions to an account by an employer of the participant shall not be considered for purposes of receiving benefits or aid to individuals under any government program administered by any agency of the state.

**Disposition at Sine Die:**

LB 470 was advanced to General File as amended. LB 470 was passed on Final Reading with the Emergency Clause, 43-2-4. LB 470 was returned by the Governor without approval on June 04, 2019.

**LB 545 (Wayne) Change income tax provisions relating to the Nebraska educational savings plan trust and authorize employer contributions to the trust**

**Introduced Version:**

LB545 makes changes to the Nebraska Education Savings Plan Trust (“NEST”).

The NEST program currently allows only the “participant” (account owner) to make contributions to an account. The bill would allow a participants’ employer to make contributions and allow the participant to add the employer contribution to the amount of the tax deduction. The bill defines “employer contribution” as one made to the account of a participant who is an employee.

Under current law, contributions to a NEST account may be deducted by the participant from federal adjusted gross income, or for corporations, federal taxable income, up to a maximum deduction of \$5,000 for taxpayers who are married filing separate and \$10,000 for all other taxpayers.

The bill allows any taxpayer to designate any portion of a Nebraska individual income tax refund as a contribution to a NEST account and requires the Tax Commissioner to accommodate this on the individual income tax return. The State Treasurer is then directed to transfer such funds to the appropriate account with the NEST Program Fund.

The bill also prohibits employer contributions from being included in the participant’s income for purposes of determining their qualification for state administered benefits programs or aid to individuals based on financial need.

The operative date is set as January 1, 2020.

**Disposition at Sine Die:**

LB 545 was amended into LB 470. LB 470 was passed on Final Reading with the Emergency Clause, 43-2-4. LB 470 was returned by the Governor without approval on June 04, 2019.



**LB 610 (Lindstrom) Adopt the Meadowlark Act, the Employer Matching Contribution Incentive Program, and the College Savings Plan Low-Income Matching Scholarship Program and change the Nebraska educational savings plan trust**

**Introduced Version:**

LB610 creates the College Savings Tax Credit Act under the Nebraska Education Savings Plan Trust (“NEST”).

Under the Act, an employer may make a contribution to a college savings account that matches an employee contribution for the same taxable year. The employer would be entitled to a nonrefundable credit equal to 25 percent of the matching contribution, not to exceed \$2,000 per employee. The credit may be carried forward for five years.

The credit is available for tax years beginning or deemed to begin on or after January 1, 2020.

**Committee Amendment:** AM 917 – adopted

The amendment changes the original bill from a nonrefundable income tax credit program to an employer incentive program. The program would be administered by the State Treasurer rather than the Department of Revenue. An eligible employer would receive an incentive payment from the State Treasurer's office equal to 25 percent of the matching contribution, not to exceed \$2,000 per employee.

Prior to June 30 of each year, the State Treasurer would determine the total amount of incentive payments approved for the year, transfer such amount from the General Fund to the College Savings Incentive Cash Fund, and distribute the incentive payments to the approved employers. The amendment sets a cap of \$250,000 per year in approved rebates.

The amendment delays the implementation date until January 1, 2022

**Disposition at Sine Die:**

LB 610 was advanced to General File. LB 610 was passed on Final Reading, 48-0-1. LB 610 was approved by the Governor on May 30, 2019.

**LB 688 (Cavanaugh) Provide for contributions to the Nebraska educational savings plan trust from income tax refunds**

**Introduced Version:**

LB688 makes changes to the Nebraska Education Savings Plan Trust (“NEST”).

The bill allows a taxpayer to designate a specified amount of a Nebraska individual income tax refund as a contribution to the taxpayer’s NEST account and requires the Tax Commissioner to accommodate this on the individual income tax return. The State

Treasurer is then directed to transfer such funds to the appropriate account with the NEST Program Fund.

The bill would be effective for “the 2020 tax year.”

**Disposition at Sine Die:**

LB 688 remains in committee.

**LB 705 (Murman) Provide for distribution of funds upon death from an achieve a better life experience account**

**Introduced Version:**

LB705 makes changes to the Achieving a Better Life Experience Program (“ABLE”).

The bill provides that upon the death of a designated beneficiary of an account under the program, the owner of the account or the beneficiary’s personal representative may transfer the account balance to another account under the program, as specified by the owner, the designated beneficiary or the estate of the beneficiary. Before such a transfer the State Treasurer is required to notify the specified parties of the potential tax consequences of such a transfer.

The bill also provides that upon the death of a beneficiary and after the Department of Health and Human Services has received approval from the Centers for Medicare and Medicaid Services of the United States Department of Health and Human Services, the state shall not seek recovery of any amount remaining in the account for any medical assistance received by the beneficiary or their spouse or dependent under the medical assistance program pursuant to the Medical Assistance Act after the account was established.

Finally, the bill provides that the state shall not file a claim for the payment under subdivision (f) of section 529A of the Internal Revenue Code, which provides:

(f)Transfer to State

Subject to any outstanding payments due for qualified disability expenses, upon the death of the designated beneficiary, all amounts remaining in the qualified ABLE account not in excess of the amount equal to the total medical assistance paid for the designated beneficiary after the establishment of the account, net of any premiums paid from the account or paid by or on behalf of the beneficiary to a Medicaid Buy-In program under any State Medicaid plan established under title XIX of the Social Security Act, shall be distributed to such State upon filing of a claim for payment by such State. For purposes of this paragraph, the State shall be a creditor of an ABLE account and not a beneficiary. Subsection (c)(3) shall not apply to a distribution under the preceding sentence.

**Disposition at Sine Die:**

LB 705 remains in committee.

# Property Tax

## **LB 63 (Groene) Change tax levy provisions relating to rural and suburban fire protection districts and change the Mutual Finance Assistance Act**

### **Introduced Version:**

LB63 relates to rural and suburban fire protection districts and to the Mutual Finance Assistance Act. The bill has an operative date of January 1, 2020.

### **Rural and Suburban Fire Protection Districts**

- Members of the board of directors of a rural or suburban fire protection district may receive up to \$50 for each meeting of the board.
  - Current language provides them with \$25 for each meeting.
- Rural or suburban fire protection districts that have levy authority will be required to certify the amount of tax levied to the county clerk on or before September 20.
  - Current language requires certification to the county clerk on or before August 1.
- Rural or suburban fire protection districts that do not have levy authority shall be required to request the amount of tax to be levied on or before August 1 pursuant to the provisions in 77-3443(3).
  - Under the provisions of 77-3443(3), if a political subdivision fails to submit the request, the political subdivision may not use the procedures to exceed the final levy allocation (levy override election).

### **Mutual Finance Assistance Act**

- An agreement to create a mutual finance organization shall include the following :
  - A duration of at least 3 years;
  - Requirement that all members of the mutual finance organization levy the agree-upon property tax request rate within their boundaries for 1 of every 3 tax years covered by the agreement; and
  - A requirement that all members of the mutual finance organization levy no more than the agreed-upon property tax rate for the remaining tax years covered by the agreement.
    - The property tax rate excludes levies to retire bonded indebtedness.
- Any mutual finance organization does not meet the requirements stated above will not be eligible to receive monies from the Mutual Finance Assistance Fund.

### **Committee Amendment:** AM 77 – adopted

The amendment removes the original operative date and replaces it with the emergency clause

**Disposition at Sine Die:**

LB 63 was advanced to General File as Amended. LB 63 was passed on Final Reading with the Emergency Clause, 45-0-4. LB 63 was approved by the Governor on March 07, 2019.

**LB 103 (Linehan) Change the procedure for setting a political subdivision's property tax request**

**Introduced Version:**

LB103 requires every political subdivision that requests property tax dollars to pass a resolution or ordinance requesting the amount of property taxes that has been adopted in the budget document.

When an increase in the ensuing tax year’s certified valuation would result in an increase in property tax dollars requested, the political subdivision will be required to reduce its tax rate to generate the same amount of property tax dollars generated in the current year. This reduction shall be calculated by using the current year’s property tax rate multiplied the by ensuing year’s increased certified valuation.

For example: The tax rate to generate the budgeted tax request in 2017-18 is \$1.05. The proposed budget for 2018-19 includes \$11,452,446 of property tax dollars at a tax rate of \$1.05. Because there is an increase in the certified valuation, LB103 would require this political subdivision to reduce its property tax rate to .9938 to generate the same amount of tax dollars requested in 2017-18

Fund	2017-18 Property Tax Request	2017-18 Tax Rate	2017-2018 Certified Valuation	2018-19 Property Tax Rate	2018-19 Proposed Property Tax Request	2018-19 Proposed Tax Rate	2018-19 Certified Valuation
General	10,839,758	1.05	1,032,357,951	.9938	11,452,446	1.05	1,090,709,138

To increase the tax levy and property tax dollars requested, the political subdivision shall hold a public hearing. The public hearing will require a 30-day publication notice. The public hearing may not be held at the same time as the budget hearing.

LB103 provides the required information for the notice of hearing. The required information includes:

- The time, day and place of the hearing.
- The name of the political subdivision
- The percentage increase in the certified valuation
- The tax rate that would generate the same amount of property tax dollars as the current year called the lowered tax rate.
- The proposed tax rate known as the effective tax rate increase.

- The percentage increase of the proposed budget.

The governing body will be required to pass a resolution or ordinance to set the property tax request at the higher amount. The resolution or ordinance will be filed with the county clerk on or before October 13.

**Committee Amendment:** AM 116 – adopted

AM116 strikes the original sections of LB103 and becomes the bill.

The governing body of a county, municipality, school district, learning community, sanitary and improvement district, natural resources district, education service unit, or community college shall be required to hold a public hearing to set its property tax request. The public hearing is required if:

- The annual assessment of property would result in an increase in the total property taxes levied, such subdivision will be required to reduce its property tax rate to generate no more than the amount of property tax dollars requested in the current year.
- The annual assessment of property would result in no change or a decrease in the total property taxes levied such subdivision will be required to adjust its property tax rate to generate no more than the prior year's property tax request.
- The governing body wishes to set its property tax request at an amount that exceeds its property tax request in the prior year.

The notice of hearing for the tax request shall be published in a newspaper of general circulation five days prior to the hearing. The hearing notice may be posted at the governing body's principal headquarters five days prior to the hearing if the political subdivisions total operating budget, not including reserves, does not exceed \$10,000 per year or \$20,000 per a biennial period.

The hearing notice shall contain the following information:

- Certified taxable value for the prior year
- Certified taxable value for the current year
- Percentage increase or decrease in the certified taxable value
- Dollar amount of prior year's tax request
- Property tax rate of prior year
- Property tax rate to fund prior year's tax request with current year's certified taxable value
- Proposed dollar amount of tax request for the current year
- Property tax rate necessary to fund the request
- Percentage increase or decrease in the property tax rate from the prior year to the current year
- Percentage increase or decrease in the total operating budget from the prior year to the current year

- The resolution or ordinance shall include, but not be limited to the following information:
- Name of political subdivision
- Amount of property tax request
- The percentage difference in the total assessed value
- The property tax rate to fund prior year's tax request with current year's certified taxable value
- The tax rate that will fund the proposed property tax request
- The percentage increase or decrease in the total operating budget
- The record vote of the governing body

The resolution or ordinance shall be filed with the county clerk on or before October 13 of the year applicable to the property tax request.

**Disposition at Sine Die:**

LB 103 was advanced to General File as amended. LB 103 was passed on Final Reading with the Emergency Clause, 47-0-2. LB 103 was approved by the Governor on March 12, 2019.

**LB 134 (Stinner) Provide levy authority and duties for natural resources districts**

**Introduced Version:**

A natural resource district that is located in a river basin, sub-basin or reach that has been fully appropriated or over-appropriated has the authority to tax an additional 3 cents to administer and implement ground water manage and integrated management activities under the Nebraska Ground Water Management and Protection Act.

LB134 would extend the authority to tax the additional 3 cents for fiscal years 2020-21 through 2027-28. The authority to tax the additional 3 cents ended with fiscal year 2017-18.

The bill would also require the NRD to keep separate records of the funds raised and document how the funds are expended to administer and implement ground water management activities & integrated management activities under the Nebraska Ground Water Management & Protection Act.

**Disposition at Sine Die:**

LB 134 remains in Committee.

**LB 158 (Brewer) Change provisions relating to the assessed value of real property**

**Introduced Version:**

LB158 would freeze the assessed value of real property for four tax years. Beginning with tax year 2020, the assessed value will be the same value as tax year 2019 plus the cost of any improvements made to the real property since January 1, 2019.

The same process would occur in tax years 2021, 2022, and 2023. The assessed value on January 1 of each tax year would be the same value as January 1 of the previous tax year plus any improvements.

**Disposition at Sine Die:**

LB 158 remains in Committee.

**LB 183 (Briese) Change the valuation of agricultural land and horticultural land for purposes of certain school district taxes**

**Introduced Version:**

LB183 would change the assessed value of agricultural and horticultural land used to retire bonded indebtedness to by 1% of its actual value. The acceptable range for valuation purposes would be .75% to 1% of actual value.

Currently the assess value of agricultural and horticultural land used to retire bonded indebtedness is 75% of its actual value.

**Committee Amendment:** AM 158 – adopted

The amendment changes the percentage of agricultural and horticultural land value for the repayment of school bonds from 1% of market value in the green copy to 30%. It clarifies that the reduced value applies to bonds passed after the effective date of the bill. It sets an acceptable range for the value between 24% and 30% of market value.

**Disposition at Sine Die:**

LB 183 was advanced to General File as Amended. LB 183 was moved to Select File. LB 183 failed to advance to Final Reading and remains on Select File.

**LB 185 (Friesen) Change provisions relating to the special valuation of agricultural and horticultural land**

**Introduced Version:**

LB185 would define qualifications for special valuation for agricultural and horticultural to include:

- The land must be located outside the corporate boundaries of any SID, city or village;

- The land must be agricultural or horticultural land; and,
- If the land consists of 5 contiguous acres or less, the owner or lessee must also provide IRS Schedule F showing a profit or loss from farm 2 of the last 3 years to qualify for special valuation.

The bill would become operative January 1, 2020.

**Disposition at Sine Die:**

LB 185 was advanced to General File. LB 185 was passed on Final Reading, 47-0-2. LB 185 was approved by the Governor on March 12, 2019.

**LB 250 (Walz) Change provisions relating to agricultural land and horticultural land receiving special valuations**

**Introduced Version:**

LB250 would change the qualifications for special valuation for counties with a population of 100,000 or more and counties with less than a population of 100,000.

To qualify for special valuation in a county with 100,000 or more population, all of the following criteria must be met:

- The land must be located outside the corporate boundaries of any SID, city or village; and
- The land must be agricultural or horticultural land.

In counties with 100,000 or less population, all of the following criteria must be met:

- The land must be located outside the corporate boundaries of any SID; and
- The land must be agricultural or horticultural land.

The bill has an operative date of January 1, 2020.

**Disposition at Sine Die:**

LB 250 remains in Committee.

**LB 289 (Linehan) Change provisions relating to county assessor inspections of real property for property tax purposes**

**Introduced Version:**

LB289 would change the timeframe for the county to review all parcels of real property. The bill, as introduced, is a placeholder bill.

**Committee Amendment:** AM 1572 – Pending



**Sections 1 and 2– 76-901**

- Increases the Documentary Stamp Tax from \$2.25 to \$3.25 per \$1,000 of value.
- Credits the \$1.00 increase in the Documentary Stamp Tax to the Property Tax Credit Cash Fund

**Section 3 - 77-202**

- Repeals the Personal Property Tax Exemption beginning in tax year 2019.

**Section 4 – 77-382**

- Repeals unnecessary requirements of the Tax Expenditure Report

**Section 5 - 77-693, Section 6 - 77-801, Section 7 – 77-1238**

- Changes made because of repeal of the personal property tax exclusion beginning in tax year 2019.

**Section 8 - 77-1239**

- Increases the appropriation to the Property Tax Credit Cash Fund by the \$14 million saved from repealing the Personal Property Tax Exemption

**Section 9 – 77-1248**

- Changes made because of repeal of the personal property tax exclusion beginning in tax year 2019.

**Section 10 – 77-1327**

- Changes made because of the increase in the Documentary Stamp Tax

**Section 11 – 77-1514**

- The county assessor shall prepare an abstract of the property assessment rolls of locally accessed personal property for tax years prior to tax year 2019.

**Section 12 – 77-2602**

- Increases the cigarette tax to \$1.00 per package.
  - Current cigarette tax rate is \$0.64 per package.
- Beginning July 1, 2019, and monthly thereafter, the State Treasurer will place the equivalent of \$0.36 of the cigarette tax in the Property Tax Credit Cash Fund.
- Operative Date: July 1, 2019

**Section 13 - 77-2701.02**

- Increase the sales tax rate from 5.5% to 6.00% beginning July 1, 2019.

- Operative Date: July 1, 2019

#### **Section 14 – 77-2701.16**

- Amends the definition of Gross Receipts under the sales and use tax to include the following services:
  - Labor for repair or maintenance of motor vehicles
  - Pet-related services
  - Moving services
  - Storage services
  - Clothes cleaning services. Includes dry cleaning services and other laundry services. Does not include self-service coin-operated washing machines and dryers.
  - Transportation network company services. Includes companies which provide prearranged transportation services using an online-enabled application or platform to connect passengers with participating drivers using a personal vehicle
  - Beauty and personal care services. Includes hair care, nail services, skin care and hair removal. Excludes massage services.
  - Tattoo or other body modification services
  - Maintenance, painting and repair for single family homes. Includes painting and wall covering services, poured concrete foundation and structure services, framing services, glass and glazing services, roofing services, siding services, electrical services, plumbing, heating and air conditioning services, drywall insulation services, flooring services, and carpentry services
  - Interior design services for single family homes
  - Limousine, taxi and other transportation services
  - Lawn care, gardening and landscaping services
  - Parking services. Includes hourly, daily, monthly parking and all other parking for a charge
  - Swimming pool cleaning and maintenance services
  - Dating and social escort services
  - Telefloral delivery services
  - Wedding planning
  - Weight loss programs and services, including nonmedical group or individual counseling, menu or exercise planning, weight and body measurement monitoring
  - Personal training services
- Operative Date: July 1, 2019

#### **Section 15 – 77-2704.24**

- Adds definitions for Candy, Pop and Bottled Water as defined in the Streamlined Sales and Use Tax Agreement

- Removes Candy, Pop, Bottled Water and Ice from the definition of “food and food ingredients”
- Language allows Governor to stay the collection of sales tax on bottled water for a 60-day period for any area of the state affected by a disaster, emergency, or civil defense emergency.
- Operative Date: July 1, 2019

**Section 16 – 77-2715.07**

- Increases the state Earned Income Tax Credit from 10% to 13% of the federal credit beginning in tax year 2020

**Section 17 – 77-27,132**

- On and after July 1, 2019, proceeds equal to any sales tax rate in excess of 5.5% derived from the sale or lease for periods of more than 31 days of motor vehicles, trailers, and semi-trailers shall be credited to the Highway Allocation Fund.
- An amount equal to the increase in sales tax as a result of increasing the sales tax rate will be credited to the Property Tax Credit Cash Fund.
  - The amount to be credited will be annually determined by the Tax Commissioner.
- Operative Date: July 1, 2019

**Section 18 – 77-3442** Changes the statutory maximum tax rate from \$1.05 per \$100 of taxable value to 6 cents per \$100 of taxable value plus a rate which will generate an amount equal to the local formula contribution rate.

- The reduction in the statutory maximum levy begins for school fiscal year 2019-20 and each school fiscal year thereafter.
- Changes the levy exclusion for special building fund projects to be projects commenced prior to the effective date of this Act up to the amount that would be generated by a levy equal to the levy rate for such project for the 2018-19 fiscal year.
  - The current levy exclusion is for projects commenced prior to April 1, 1996.
- A Class V school district (Omaha Public Schools) may levy a maximum of an additional \$0.06 cents per \$100 of taxable valuation.
  - The additional levy to be used to meet the annual required contribution (ARC) to the Class V School Employees Retirement System.
- Proceeds from the levy will be transferred monthly by the Class V school district to the Class V School Employees Retirement System.

- Proceeds from the additional levy shall only be used to meet the contribution obligation of the Class V school district to the Class V School Employees Retirement System.
- If the funded ratio of the actuarial value of assets and the funded ratio of the market value of assets are equal to or greater than 80% for 3 consecutive plan years after the effective date of this Act, the Class V school district will not have the authority to tax the additional \$0.06.
- Information to determine the amount noted above will come from the actuarially-prepared annual valuation of the retirement system.
- Updates the reference for the Federal Code.

**Section 19 – 77-3446**

- The base limitation for school fiscal year 2019-20 and thereafter is the inflation rate certified by the Tax Commissioner.

**Section 20 – 77-4209**

- Amends the Introduction to the Property Tax Credit Act.

**Section 21 – 77-4210**

- Amends the purpose of the Property Tax Credit Act to include property tax relief through addition TEEOSA funding

**Section 22 - New Section/Property Tax Credit Fund**

- On or before July 19, 2019 and on or before January 30 thereafter, the Department of Revenue shall determine the minimum amount necessary to be appropriated to the Property Tax Credit Cash Fund to carry out the requirements of the Property Tax Credit Act.
  - The amount will be certified to the Governor, Appropriations, Revenue, & Education Committees.
- The minimum amount certified shall equal the sum of the amounts certified by NDE to be transferred to the Tax Equity & Educational Opportunities Support Fund plus \$115 million.
- The Appropriations Committee shall annually include at least the minimum amount necessary to be appropriated to the Property Tax Credit Cash Fund.
- Additional funds available from reduction in current TEEOSA funding (\$38 million) and reduction in the Medicaid federal match rate (\$34 million) are to be credited to the Property Tax Credit Cash Fund.

**Section 23 – New Section/Property Tax Credit Fund**

- On or before July 15, 2019 and on or before January 15 thereafter, NDE shall certify an estimate of the statewide increase in TEEOSA to the State Treasurer and the Department of Revenue.
- Statewide increase will be from:
  - Changes to the method for calculating local formula contribution between 2018-19 and the school fiscal year for which such certification is being made; and,
  - The inclusion of foundation aid.
- For fiscal year 2019-20 and each year thereafter, the State Treasurer shall transfer an amount equal to the statewide increase in TEEOSA from the Property Tax Credit Cash Fund to the Tax Equity and Educational Opportunities Fund.

**Section 24 – 77-4212**

- The amount of relief granted under the Property Tax Credit Act for tax year 2017 and tax year 2018 shall be \$224 million.
- For tax year 2019 and thereafter, the amount of relief granted through property tax credits will be the amount available in the Property tax Credit Cash Fund after transferring funds to the Tax Equity and Educational Opportunities Fund.

**Section 25 – 79-978.01**

- Introduction to Class V (Omaha Public Schools) School Employees Retirement Act.

**Section 26 – New Section/Class V School**

- The Class V board of education will provide written notice to the board of trustees of the rate of levy for the current year and an estimate of the proceeds from the levy.
  - The notice will be provided on or before December 31, 2019 and each December 31 thereafter.
- The board of trustees will provide the information to the actuary for use in preparing the annual valuation report.

**Section 27 – 79-9,113**

- Adds language on the contribution by the Class V school district to include any amounts transferred to the system from the additional \$0.06 levy.
  - Adds new language the amount generated by the additional levy will be transmitted monthly.

**Section 28 – 79-1001**

- Introduction to the Tax Equity and Educational Opportunities Support Act (TEEOSA).

**Section 29 – 79-1003**

- In the definition for adjusted valuation – repeals “local effort rate yield” and adds “local formula contribution”.
- Defines allocated income tax funds as a form of assistance is for school fiscal years prior to 2019-20.
  - Repeals obsolete language that references the minimum levy adjustment.
- Adds a definition for cost index. Cost index means the CPI-U: US City Average, not seasonally adjusted, as prepared by the US Department of Labor, Bureau of Labor Statistics released in October of each year.
- Adjusts the receipts from levy override elections in calculating general fund operating expenditures (GFOE) to reflect the receipts from a levy override election will equal 99% of the difference in the total general fund levy minus the maximum levy permitted.
- Adds a definition for inflation rate. Inflation rate means the inflation rate certified by the Tax Commissioner for each school fiscal year.
- Adds a definition for local formula contribution. The local formula contribution is the amount included in formula resources.
- Adds a definition for local formula contribution inflation rate. The local formula contribution inflation rate means the local formula contribution inflation rate certified by the Tax Commissioner.

**Section 30 – 79-1005.01**

- The Tax Commissioner certifies to NDE the income tax liability of resident individuals for the preceding tax year.
  - The certification ends on November 15, 2018.

**Section 31 – New Section/Foundation Aid**

- Foundation aid is created for school fiscal year 2019 and thereafter.
- On or before June 17, 2019, on or before November 15, 2019 and on or before November 15 thereafter, the Tax Commissioner certifies to NDE the total state revenue contribution.
- The total state revenue contribution will equal 25% of:

- The aggregate income tax liability for the most recently completed tax year; plus
- The aggregate state sales tax collections for the most recently completed calendar year.
- The state revenue contribution per student is calculated for the certification of TEEOSA as the total state revenue contribution (calculated above) divided by the statewide K-12 Fall Membership.
  - For the final calculation of TEEOSA (or recalculation of TEEOSA), the state revenue contribution will be divided by the statewide Average Daily Membership (ADM).
- Foundation aid per student is calculated as the greater of:
  - The state revenue contribution per student, or
  - 25% of the basic funding per formula student up to a maximum of 150% of the state revenue contribution.
- Foundation aid to be paid to a local system for the certification of TEEOSA will be the foundation aid per student multiplied by the K-12 Fall Membership of the local system.
  - For the final calculation of TEEOSA (or year-end recalculation of TEEOSA), the foundation aid per student will be multiplied by the Average Daily Membership (ADM) of the local system.

**Section 32 – 79-1007.11**

- Removes the averaging adjustment as a component of the formula needs calculation for school fiscal year 2020-21 and thereafter.

**Section 33 – 79-1007.18**

- Sunsets the averaging adjustment with the 2019-20 certification of TEEOSA.
- Repeals outdated language.

**Section 34 – 79-1008.01**

- Repeals outdated language

**Section 35 – 79-1009**

- Net option funding for 2019-20 will be the product of the net number of option students multiplied by the statewide average basic funding per formula student.

- Net option funding for 2020-21 and thereafter will be the product of the net number of option students multiplied by the statewide average general fund property taxes per formula student.
- Statewide average general fund property taxes per formula student is calculated by:
  - Dividing 99% of aggregate general fund property tax receipts for all schools for the most recently available complete data year by the aggregate formula students for all local system for the school fiscal year for which aid is being calculated.
- Repeals obsolete language.

**Section 36 – New Section/Inflation Rate**

- On or before June 17, 2019, on or before November 15, 2019 and on or before November 15 thereafter, the Tax Commissioner will calculate and certify to NDE the inflation rate and the local formula contribution inflation rate for the immediately following school fiscal year.
- The inflation rate shall be calculated by:
  - Subtracting the cost index immediately preceding the most recent cost index from the most recent cost index.
  - The difference is divided by the cost index immediately preceding the most recent cost index.
  - The most recent cost index is the most recent cost index available to the time of the certification of TEEOSA.
- If the calculated inflation rate is greater than 2.5%, the inflation rate shall be 2.5%.
- If the calculated inflation rate is less than 0%, the inflation rate shall be 0%.
- The local formula contribution inflation rate will be the inflation rate calculated without any adjustments.

**Section 37 – 79-1015.01**

- Local system formula resources for each local system shall include the local formula contribution.
- For the certification and final calculation of TEEOSA for school fiscal year 2019-20, the local formula contribution for each school will equal the local system’s total adjusted valuation multiplied by a local effort rate of 90 cents per \$100 of adjusted valuation.



- For the certification and final calculation of TEEOSA for 2020-21 and thereafter, the local formula contribution for each local system shall equal the lesser of the local effort rate (LER) yield or the inflation rate yield.
  - The local effort rate (LER) is set at 90 cents per \$100 of adjusted valuation.
  - Under current law, the LER is \$1.00.
- The local effort rate yield will be the local system's total adjusted valuation multiplied by a local effort rate (LER) of 90 cents per \$100 of adjusted valuation.
- The inflation rate yield for each local system shall be the sum of:
  - The local formula contribution for the school fiscal year immediately preceding the school fiscal year for which aid is being calculated adjusted by the local formula contribution inflation rate and
  - The local system's adjusted valuation for the total real property growth value multiplied by a local effort rate (LER) of 90 cents per \$100 of adjusted valuation.
- Repeals obsolete language.

**Section 38 – 79-1016**

- On or before August 20, the county assessor certifies to the Property Tax Administrator the total taxable value and the total real property growth value by school district.
- On or before October 10, the Property Tax Administrator certifies the adjusted valuation for the current assessment year for each class of property and for the total real property growth value to NDE.
- For the 2019 assessment year and thereafter, all adjusted valuations shall reflect the changes in the definition of state aid value that apply to school fiscal year 2020-21 and thereafter.
- Defines state aid value for residential and commercial/industrial value to be 86% of actual (market) value for school fiscal year 2020-21 and thereafter.
  - For school years prior to 2020-21, residential and commercial/industrial value is 96% of actual (market) value.
- Defines state aid value for agricultural and horticultural value to be 62% of actual (market) value for school fiscal year 2020-21 and thereafter.
  - For school years prior to 2020-21, agricultural and horticultural land, value is 72% of actual (market) value.

- The same percentage, 62% of actual (market) value will be used for special valuation of agricultural and horticultural land.

**Section 39 – 79-1017.01**

- For 2019-20 and thereafter, local system formula resources includes other actual receipts, net option funding, foundation aid, and community achievement plan aid less any property tax refunds.
- Repeals obsolete language.

**Section 40 – 79-1022**

- Certification of 2019-20 aid will be on or before July 15, 2019.
  - Certification of 2020-21 and thereafter will be on or before March 1.
- For school fiscal years 2019-20 and thereafter, the amount distributed to each local system shall equal the sum of Equalization Aid, Net Option Funding, Foundation Aid and Community Achievement Plan Aid.
- If the sum of Equalization Aid, Net Option Funding, Foundation Aid and Community Achievement Plan Aid is less than 33.33% of the local system’s total formula need, the local system will receive the sum of the Equalization Aid, Net Option Funding, Foundation Aid and Community Achievement Plan Aid and Guaranteed Funding Aid.
- Guaranteed Funding Aid is the difference between 33.33% of total formula need and the sum of Equalization Aid, Net Option Funding, Foundation Aid and Community Achievement Plan Aid.
- NDE will certify the amounts to be distributed to the Director of Administrative Services, the Auditor of Public Accounts and each district.
- Repeals obsolete language.

**Section 41 – 79-1022.02**

- For school fiscal year 2019-20, any certification of TEEOSA, budget authority or applicable allowable reserve percentages completed prior to the effective date of this Act are null and void.

**Section 42 – 79-1023**

- Changes the certification date for budget authority to July 15, 2019 and back to March 1 thereafter
- The budget-based calculation of budget authority and the student growth calculation of budget authority for 2019-2020 is changed to use 2017-18 adjusted expenditures as

the base year and increase the adjusted expenditures by the Basic Allowable Growth for 2018-19 and 2019-20.

- The formula needs calculation of budget authority for 2019-20 is changed to be 110% of the 2019-20 formula needs minus special education expenditures and increased by the Basic Allowable Growth for 2018-19 and 2019-20.

**Section 43 - 79-1025**

- The basic allowable growth rate for school fiscal year 2019-20 is 2.5%
- The basic allowable growth rate for 2020-21 and thereafter will be determined by 77-3446 (The inflation rate certified by the Tax Commissioner).

**Section 44 – 79-1027**

- Changes the certification date for allowable reserve percentage to on or before July 15, 2019 and back to March 1 thereafter.

**Section 45 – 79-1030**

- For school fiscal year 2019-20, unused budget authority calculated under this subsection shall not include any unused budget authority from school fiscal years prior to school fiscal year 2019-2020.

**Section 46 – 79-1031.01**

- Revises the date for the Appropriations Committee to include the TEEOSA amount to on or before July 15, 2019 and back to March 1 thereafter.

**Section 47 – Operative Date of July 1, 2019 unless otherwise indicated**

**Section 48 and Section 49 – Repealer Sections**

**Sections 50 and 51 – Outright Repeal of 79-1008.02 and 77-2704.56**

- 79-1008.02 is the minimum levy adjustment
- 77-2704.56 is the sales tax exemption for Fine Art Museum

**Section 52 – The Emergency Clause**

**Disposition at Sine Die:**

LB 289 was advanced to General File as Amended. It failed to advance to Select File and remains on General File.

**LB 303 (Lindstrom, at the request of the Governor) Change the amount of relief under the Property Tax Credit Act**

**Introduced Version:**

LB303 proposes to increase the total amount available in the Property Tax Credit Fund for tax year 2019 and each tax year thereafter to \$275 million. Currently the total amount available in the Property Tax Credit Fund is \$224 million. This bill proposes an additional \$51 million each tax year.

**Disposition at Sine Die:**

LB 303 was advanced to General File. LB 303 remains on General File.

**LB 314 (Briese) Adopt the Remote Seller Sales Tax Collection Act and change revenue and taxation provisions**

**Introduced Version:**

Section 1 to 5 of LB314 creates the Remote Seller Sales Tax Collection Act. A remote seller who does not have a physical presence in the State will be required to collect and remit sales tax if their gross revenue from the sale of property in Nebraska exceeds \$100,000 or they had 200 or more separate transactions. The Department of Revenue may adopt and promulgate rules and regulations to carry out the Remote Seller Sales Tax Collection Act.

LB314 proposes to increase the tax on beer from 31 cents per gallon to \$1.38 per gallon; the tax on wine from 95 cents per gallon to \$3.51 per gallon; the tax on wine produced and released from bond in farm wineries from 6 cents per gallon to \$2.62 per gallon; and the tax on alcohol and spirits from \$3.75 per gallon to \$12.28 per gallon. It also increases the penalty for a non-beverage user from \$3.75 per gallon to \$12.28 per gallon. This increased revenue is to be credited to the Property Tax Credit Cash Fund.

Other proposals to increase revenue are to increase the documentary stamp tax from \$2.25 per \$1,000 of value to \$2.75 per \$1,000 of value. The 50 cent increase is to be credited to the Property Tax Credit Cash Fund. The property tax exemption for a fraternal benefit society organized and licensed under sections 44-1072 to 44-10,109 is repealed. The Personal Property Tax Relief Act is repealed. Applications for tax credits under the New Markets Job Growth Investment Act will not be accepted on or after January 1, 2020.

The bill removes the sales tax exemption for and imposes a new sales tax on the following:

- Telefloral delivery services
- Motor vehicle cleaning, maintenance and repair services
- Cleaning and repair of clothing
- Cleaning of tangible personal property

- Maintenance, painting and repair and interior decoration services for single-family housing
- Personal care services including hair care, massages, tanning services, nail services, spa services, tattoo services
- Lawn care, gardening and landscaping services
- Veterinary and livestock specialty services, including animal grooming services performed by a licensed veterinarian
- Pet-related services
- Storage and moving services
- Taxi, limousine and other transportation services
- Ride-sharing services
- Services to travel agents and tour operators and for online travel services
- Parking services
- Swimming pool cleaning and maintenance services
- Dating and escort services
- Instruction in music, dance, golf or other recreational activities
- Candy, soft drinks or bottled water

The cigarette tax is increased from 64 cents per package to \$2.14 per package. Beginning January 1, 2020, \$1.50 of the cigarette tax will be placed in the Property Tax Credit Cash Fund. Vapor products are included as a tobacco product and taxed as a tobacco product. All revenue collected on taxing vapor products will be credited to the Property Tax Credit Cash Fund.

LB314 creates an income surtax if federal AGI is \$500,000 or more for married filing jointly taxpayers or \$250,000 or more for all other filers. The surtax is equal to the individual's state income tax liability multiplied by 7.84%. The Tax Commissioner may adopt and promulgate rules and regulations to carry out the provisions of assessment of this surtax.

The bill raises the sales tax rate from 5.5% to 6% effective January 1, 2020.

The Alternative Minimum Tax (AMT) for resident individuals, trusts and estates is reinstated. The bill also increases the earned income tax credit (EITC) to 15% of the federal credit beginning January 1, 2020. It will also provide a refundable renters credit in an amount equal to 2% of the rent paid during the taxable year, not to exceed \$500.

The bill repeals the special capital gains and extraordinary dividends exclusion beginning on January 1, 2020. It repeals the special apportionment provisions for S corporations and limited liability corporations. Shareholders in S corporations and LLC's must include in their Nebraska taxable income their proportionate share of such an entity's federal income.

The bill repeals the use of federal itemized deductions for Nebraska purposes (except for itemized medical expenses) and would therefore require all filers to utilize the standard deduction. Under current law, taxpayers who itemize for federal purposes may choose between the greater of itemized deductions or the standard deduction.

The Highway Allocation Fund will be credited with amounts in excess of 5.5% rather than the current 5% derived from sale of lease of motor vehicles, trailers and semitrailers for more than 31 days. The Property Tax Credit Cash Fund will be credited with the net increase in sales tax revenue and income tax revenue received as a result of the changes made by this bill, minus the increase in funds paid under TEEOSA minus appropriations to pay for the School Financing Review Commission minus the increase in reimbursements for special education.

The bill will Increase the percentage of allocated income tax funds in TEEOSA from 2.23% to 20%. It will create the School Financing Review Commission (SFRC). The SFRC will have 18 members. 3 members from the Legislature, the Property Tax Administrator, the Executive Director of the ESU Coordinating Council, the Commissioner of Education, a representative of the Governor, 2 members from postsecondary education, a board member and superintendent from a Class III school district, a board member and administrator from a Class IV school district (Lincoln Public Schools), a board member and administrator from a Class V school district (Omaha Public Schools) and 3 members at large. The SFRC will exist until December 31, 2026 and will be housed within NDE.

A laundry list of the duties for the SFRC may be found in Section 40 of the bill. A preliminary report from the SFRC is due in November 2021. The final report of the SFRC is due by December 1, 2021. After December 1, 2021, the SFRC is tasked with a list of additional items to review to and make recommendations to the Legislative Council. The SFRC shall report on the adequacy of school funding sources on or before July 1, 2022, July 1, 2024 & July 1, 2026.

LB314 increases special education reimbursement to be 10% for reimbursements for support services and 80% for program and support services. It also Increases special education transportation reimbursement to 80%.

Consideration for monetary charges for the use of space in a hotel includes any intermediary fees charged by an online travel company for booking space in a hotel through such company's online platform. The hotel will be required to collect and remit sales tax for hotel space rented through an online travel agency.

The bill outright repeals section 77-2704.65 (sales tax exemption for historic automobile museums) and section 77-2704.67 (sales tax exemption for admission to zoos).

There is an operative date on Sections 6-43, 47 & 48, 50 and 52 of January 1, 2020; and operative date on Sections 44-46 and 51 of July 1, 2020; and an operative date for all other sections is July 1, 2019.

LB314 has the emergency clause.

**Disposition at Sine Die:**

LB 314 remains in Committee.

**LB 372 (Erdman) Change provisions relating to classes and subclasses of agricultural land and horticultural land**

**Introduced Version:**

LB372 would specifically require land capability groups to be Natural Resources Conservation Service specific to the applied use of the land capability. The bill requires the land capability groups to not base all of the land capability groups on a dryland farming criterion.

**Disposition at Sine Die:**

LB 372 was advanced to General File. LB 372 was passed on Final Reading, 47-0-2. LB 103 was approved by the Governor on March 12, 2019.

**LB 420 (Bolz) Adopt the Property Tax Circuit Breaker Act**

**Introduced Version:**

LB420 would create the Property Tax Circuit Breaker Act (Act). The Act would provide property tax relief to certain taxpayers through a refundable income tax credit. The Department of Revenue may adopt rules and regulations to carry out the provisions of this Act.

**Qualifying Agricultural Taxpayer Refundable Tax Credit**

- Credit will equal amount of property taxes paid during the most recently completed tax year minus 7% of the taxpayer's federal adjusted gross income (FAGI).
- Credit amount shall not be less than zero.
- Department may certify tax credits up to \$107.6 million each taxable year.
- Tax credits will be prorated if approved applications exceed \$107.6 million.
- Only one tax credit may be claimed per parcel of land.

**Qualifying Residential Taxpayer Refundable Tax Credit**

- Residential taxpayer (owner) must live at property for a least 6 months of the most recently completed tax year.
- Tax credit will equal the total amount of property taxes paid in excess of the amounts in the table found at the end of this memo.
- The amount of property taxes paid on a taxpayer’s principal residence shall not exceed the amount of taxes paid on a residence with a taxable value equal to 200% of the average assessed value of single-family residential property in the taxpayer’s county of residence in the most recently completed taxable year.
- For renters, the tax credit will equal the 20% of the rent paid in excess of the amounts in the table found at the end of this memo.
- Department may certify tax credits up to \$82.7 million in any year.
- Tax credits will be prorated if approved applications exceed \$82.7 million.
- Dollar amounts for each income tax bracket amount of credits shall be adjusted for inflation.
- Only one tax credit may be claimed per residence.

	Married Filing Jointly Income Bracket	All Other Bracket
1% of FAGI	\$0 – 14,000	\$0 – 7,000
2% of FAGI	\$14,001 - 30,000	\$7,001 – 15,000
4% of FAGI	\$30,001 - 50,000	\$15,001 – 25,000
6% of FAGI	\$50,001 – 75,000	\$25,001 – 37,500
8% of FAGI	\$75,001 – 100,000	\$37,501 – 50,000

The bill has an operative date of January 1, 2020.

**Disposition at Sine Die:**

LB 420 remains in Committee.

**LB 444 (McDonnell) Provide a homestead exemption for certain dwelling complexes  
Introduced Version:**



LB444 would provide a homestead exemption for the owner of a dwelling complex that is located on U.S. military installations.

The bill adds another definition to homestead: a dwelling complex and any related amenities located on a United States Department of Defense military installation in this state. The new definition has 3 qualifying criteria: (1) the owner of record of the land upon which such installation is situated is the United States Government; (2) such complex and amenities are developed pursuant to a federal military housing privatization initiative; and (3) such complex and amenities are provided primarily for use by military personnel of the United States and their families.

The resident of a dwelling complex is added to the definition of owner.

The record title owner of the dwelling complex will receive a 100% homestead exemption. If there are unoccupied units or units not occupied by military personnel, the amount of the homestead exemption will be reduced by the percentage of total number of unoccupied units by the total units in the dwelling complex.

The record title owner shall be required to make an in-lieu-of tax payment to school districts in the amount equal to the homestead exemption. The payment will be made to the county treasurer. The record title owner will also make an annual in-lieu-of tax payment of property taxes due to all the remaining political subdivisions. These monies will be deposited into a restricted infrastructure maintenance trust fund.

LB444 will require the record title owner to establish an infrastructure maintenance trust fund at a financial institution. The infrastructure maintenance trust fund must be used exclusively for the cost of capital repairs, replacements, maintenance, and improvements to the infrastructure for a homestead. The funds must be kept separate from any other assets of the record title owner.

The record title owner will be required to file a certificate of compliance with the Department of Revenue. The deadline to file the certificate is December 31. The certificate will detail the compliance with the requirements of the infrastructure maintenance trust fund. Failure to file the certificate will result in an audit of the infrastructure maintenance trust fund by the Attorney General. Failure to correct any violations within 60 days of the audit will result in a revocation of the homestead exemption and the inability to apply for the homestead exemption for 2 years.

The bill has an operative date of January 1, 2020.

**Disposition at Sine Die:**

LB 444 was amended into LB 470. LB 470 was passed on Final Reading with the Emergency Clause, 43-2-4. LB 470 was returned by the Governor without approval on June 04, 2019.

**LB 473 (Dorn) Change revenue and taxation provisions relating to judgments against public corporations and political subdivisions, authorize certain loans, and provide powers and duties to the State Treasurer**

**Introduced Version:**

LB473 proposes a public corporation or political subdivision that cannot repay a judgment through property tax revenue may apply for a loan from the State to pay the judgment in full.

Specifically, If constitutional or statutory provisions prevent any public corporation or political subdivision from budgeting sufficient funds to pay any judgment in its entirety, the governing body of the public corporation or political subdivision shall pay that portion that can be paid and shall make application to the State Treasurer for the loan of sufficient funds to pay the judgment in full.

When an application is made, the State Treasurer shall investigate to determine the validity of the judgment, the inability of the public corporation or political subdivision to make full payment on the judgment, and the period of time during which the public corporation or political subdivision will be able to repay the loan.

If the State Treasurer determines the loan is proper, he or she shall make the loan from funds available for investment in the state treasury. The interest on the loan will be one-half of one percent per annum. The State Treasurer shall determine the schedule for repayment. The governing body of the public corporation or political subdivision shall annually budget and levy a sufficient amount to meet the schedule until the loan, including interest, has been repaid in full.

**Disposition at Sine Die:**

LB 473 remains in Committee.

**LB 482 (Erdman) Provide for an adjustment to the assessed value of destroyed real property**

**Introduced Version:**

LB482 will require a county assessor to report all property destroyed by fire or other natural disaster to the county board of equalization. The report will contain property destroyed after January 1 and before October 1 of each year.

The county board of equalization will be required to adjust the assessed value of the destroyed real property in an amount equal to the following:

- The assessed value of the real property before it was destroyed multiplied by a percentage representing the portion of the year the real property was intact;

- The assessed value of the destroyed real property, as of the date of its destruction, multiplied by a percentage representing the portion of the year the property was destroyed and no replacement property had been completed; and
- The assessed value of the replacement property, as of the date of completion of construction, multiplied by a percentage representing the portion of the year during which construction was completed.

The bill will require the county board of equalization to provide notice of the assessed value of the destroyed real property to the record owner or agent at his/her last known address.

Protests on this valuation shall be filed with the county board of equalization. The protest shall be filed within 30 day after the notice has been mailed. A decision on the protest will be made by the county board of equalization within 30 day after the protest has been filed. The county clerk will mail the written notice of the decision to the protester within 7 days of the final decision of the county board of equalization.

The action of the county board of equalization may be appealed to the Tax Equalization and Review Commission. The appeal must be filed within 30 days after the final decision of the county board of equalization.

LB482 has an operative date of January 1, 2020.

**Disposition at Sine Die:**

Provisions/portions of LB 482 were amended into LB 512. LB 512 passed Final Reading with the Emergency Clause, 45-0-4. LB 512 was approved by the Governor on May 30, 2019.

**LB 483 (Erdman) Change the valuation of agricultural land and horticultural land**

**Introduced Version:**

LB483 proposes to value agricultural and horticultural at its agricultural productivity value beginning in tax year 2020. This change in valuation will also apply to the special valuation of agricultural and horticultural land. Agricultural productivity value is defined as the value of agricultural land and horticultural land used for purposes of assessment and the land's capitalized net earning capacity.

Agricultural and horticultural land will be separated into five major categories:

- Irrigated cropland
- Dryland cropland
- Irrigated grassland
- Non-irrigated grassland

- Wasteland

The determination of agricultural productivity value of agricultural horticultural land consists of the following:

- Dividing agricultural and horticultural land in to major use categories and dividing the categories into subclasses based on soil productivity classifications.
- Computing net revenue based on an 8-year Olympic average of annual net incomes.
  - An Olympic average discards the one-year high and one-year low from annual net incomes.
- Dividing net revenue by the appropriate discount rate.

County assessors shall determine the capitalized net earning capacity by using the agricultural land valuation manual developed by the Agricultural Land Valuation Board (ALVB).

The Property Tax Assessment division of the Department of Revenue shall make the following determinations and calculations for irrigated and dryland croplands:

- Determine a county-wide 8-year Olympic average production in bushels per acre;
- Determine a county-wide acre weighted average of the appropriate Natural Resources Conservation Service (NRCS) index for the acres in each category.
  - For irrigated cropland the index will be the Irrigation Commodity Crop Productivity Index.
  - For dryland cropland, the index will be the National Commodity Crop Productivity Index.

The bill provides the mechanism to calculate net revenue per acre, the landlord share, a capitalized net earning value, and how to convert from dollars per acre to dollars per index point.

The Property Tax Assessment division of the Department of Revenue shall make the following determinations and calculations for non-irrigated grassland:

- Determine the going rental rate for grazing in dollars per animal unit month.
  - Data may be provided by the Department of Agricultural Economics of the University of Nebraska-Lincoln or another appropriate source.
- The production capability source for non-irrigated grassland will be the NRCS's range production rating in a normal year.

The method for calculating a capitalized net earning value and how to convert the capitalized net earning value from dollars per animal unit month to dollars per index point is provided in LB483.

The dollars per index point for each category noted above (irrigated and dryland croplands, non-irrigated grassland) shall be the sole factor required by a county assessor to set the agricultural productivity value of each parcel of property. The property tax assessment division shall report determinations and calculations made for these categories to the ALVB.

The ALVB will determine the appropriate method for valuing irrigated grassland. The method will be included in the agricultural land valuation manual.

Separate discount rates for each county will be determined by the ALVB. The discount rates will be set according to each county's 8-year Olympic average of annual precipitation. When annual precipitation levels vary by more than 2 inches within a county, at the discretion of the board, separate discount rates to be used within the county may be established.

For tax year 2020, the discount rates will be set so the total agricultural productivity value of all agricultural and horticultural land is the same as the 2019 total assessed value. For tax year 2021 and thereafter, the discount rates are set to allow no more than a 15% deviation from the total agricultural productivity value from the prior tax year.

The ALVB will be created. The board will consist of 8 members; 6 members will be appointed by the Governor with approval of the Legislature. The 6 members appointed by the Governor will come from the following categories:

- One person involved in livestock production;
- One person involved in agricultural crop production ;
- One person from a farm advocacy organization;
- One person with a county assessor certificate;
- One person from the Department of Agricultural Economics of the University of Nebraska-Lincoln; and
- One person from a commodity check-off board.

The Tax Commissioner and the Director of Agriculture are the seventh and eighth members of the board. Board members will be reimbursed for actual and necessary expenses. Appointed board members will be compensated \$500 for each meeting, not to exceed \$6,000 per year. During 2019, appointed board members may be compensated up to \$24,000. The ALVB shall meet at least twice annually.

Duties of the ALVB are:

- Develop an agricultural land valuation manual (Manual) to be used in determining the agricultural productivity value of agricultural and horticultural land.
  - The initial Manual will be created by December 31, 2019.
  - Updated Manuals will be approved by the board by November 30 of each year thereafter.
  - If the board fails to approve an updated Manual, the Director of Agriculture shall have ten days (after November 30) to make final revisions to the Manual.
- Select the data sources to be used in developing the Manual.
- Set the discount rates.
- Prepare an annual report to the Governor on the application of the Manual.
- Make recommendations to the Revenue Committee on improvements and refinements in the method used to value agricultural and horticultural land.
- Participate in a public hearing with the Tax Commissioner and the Property Tax Administrator on each updated version of the Manual.

The bill proposes the county board of equalization may only correct errors in the characteristics affecting the productivity use of such land. The Tax Commissioner will be required to develop the forms for this protest.

The adjusted valuation for TEEOSA purposes will be based on the agricultural productivity value of agricultural and horticultural land.

Sections 1-5, 10-17 and 19-20 become operative on January 1, 2020. All other sections become operative on their effective date.

The bill contains the Emergency Clause.

**Disposition at Sine Die:**

LB 483 was advanced to General File. LB 483 remains in General File.

**LB 493 (Erdman) Change provisions relating to property tax exemptions under the Nebraska Housing Agency Act**

**Introduced Version:**

LB493 clarifies the real and personal property of a local housing agency and any controlled affiliate is exempt from all taxes. The bill also clarifies that property jointly owned by a housing agency or its controlled affiliates with other nongovernmental persons or entities shall be exempt from all taxes to the extent the property is used solely to provide housing for persons of eligible income and qualifying tenants.

The bill adds language that requires the housing agency or controlled affiliate to provide notice of such exemption to the county assessor of the county where the property is located. The notice is required to be filed on or before December 31 of the year preceding the year for which the exemption is being sought.

LB493 has an operative date of January 1, 2020.

**Disposition at Sine Die:**

LB 493 remains in Committee.

**LB 497 (Friesen) Adopt the School District Property Tax Authority Act and change revenue and taxation provisions**

**Introduced Version:**

LB497 will create the School District Property Tax Authority Act. For school fiscal year 2020-21, the school board will calculate the Property Tax Authority. The 2021-21 Property Tax Authority will be calculated in three steps:

- Step 1 will be the (2019-20 Property Tax Request + 2019-20 TEEOSA Aid) \* Base Growth %.
- Step 2 is the result of Step 1 – 2020-21 TEEOSA Aid.
- Step 3 will be either the result of Step 2 less (2020-21 Other Resources – 2019-20 Other Resources); or the result of Step 2 plus (2019-20 Other Resources – 2021 Other Resources)

The Property Tax Authority calculation for 2021-22 and thereafter will have three steps:

- Step 1 will calculate state and local resources.
  - State and local resources is the sum of the prior year's local property taxes plus TEEOSA aid grown by the Base Growth %.
- Step 2 will be state and local resources less the current year's TEEOSA.
- Step 3 will be either the result of Step 2 less the (Current fiscal year other resources – Prior fiscal year other resources); or the result of Step 2 plus the (Prior fiscal year other resources – Current fiscal year other resources).

The base growth % is the higher of 2.5%, the CPI-U, or the % increase in student enrollment. Student enrollment is based on the Fall Membership Report.

The school board reports the Property Tax Authority to the Nebraska Department of Education (NDE) on forms developed by NDE. NDE will verify the calculated amount, approve the amount, and certify the amount to the school board. NDE has authority to correct the calculated amount and certify the corrected amount to the board. The amount

certified by NDE will become the property tax authority for use in setting the school's maximum levy. The school board may set the property tax request at an amount less than or equal to its property tax authority.

The Property Tax Authority does not apply to retire bonded indebtedness approved by the voters. Bonds issued by a school board would fall within the property tax authority.

The bill will reduce the percentage of agricultural and horticultural valuation for school district taxation from 75% to:

- 55% for Tax Year 2020 (School fiscal year 2020-21)
- 45% for Tax Year 2021 (School fiscal year 2021-22)
- 40% for Tax Year 2022 & After (School fiscal year 2022-23 & thereafter).

The reduction in the percentage of agricultural and horticultural valuation will change the acceptable range for agricultural and horticultural valuation for school district taxation purposes from 69% to 75% to:

- 49% to 55% for Tax Year 2020
- 39% to 45% for Tax Year 2021
- 34% to 40% for Tax Year 2022 and thereafter.

The statutory maximum levy for school districts for 2020-21 and each fiscal year thereafter will be the (Property tax authority/total assessed valuation)\*100. The current statutory maximum levy is \$1.05 per \$100 of assessed valuation. This change does not affect any successful levy override election prior to the 2020-21 fiscal year.

For school fiscal year 2020-21 and thereafter, property tax requests certified by school districts in the Special Hearing to Set the Property Tax Request shall comply with the School District Property Tax Authority Act.

LB497 will change the definition of receipts from a levy override elections used in the calculation of general fund operating expenditures for TEEOSA to be equal to 99% of the difference of the total general fund levy minus the maximum levy authorized section 77-3442(2)(a). It will change the local effort rate for TEEOSA from \$0.05 less the statutory maximum levy (currently \$1.05 per \$100 of assessed valuation) to \$0.9750.

The percentage of actual value for agricultural and horticultural land to be used in the calculation of TEEOSA will be reduced from 72% to:

- 52% for Tax Year 2020 (School fiscal year 2020-21)
- 42% for Tax Year 2021 (School fiscal year 2021-22)
- 37% for Tax Year 2022 and thereafter (School fiscal year 2022-23 and thereafter)



The bill makes a change to the total amount of TEEOSA aid. In school fiscal year 2020-21, the amount of TEEOSA aid will be the greater of 35% of basic funding or the total amount of calculated TEEOSA aid. For School fiscal year 2021-22, the amount of TEEOSA aid will be the greater of 45% of basic funding or the total amount of calculated TEEOSA aid. For school fiscal year 2022-23 and each school fiscal year thereafter, the amount of TEEOSA aid will be the greater of 50% of basic funding or the total amount of calculated TEEOSA aid.

The proposals to raise revenue to fund the provisions of LB497 include an Increase in the tax on beer from 31 cents per gallon to \$1.38 per gallon; an Increase tax on wine from 95 cents per gallon to \$3.51 per gallon; an increases tax on wine produced and released from bond in farm wineries from 6 cents per gallon to \$2.62 per gallon; and an Increase on the tax on alcohol and spirits from \$3.75 per gallon to \$12.28 per gallon. There is also an increase on the fine for a non-beverage user who sells, gives away of otherwise disposes of any alcoholic liquor under his or her license from \$3.75 per gallon to \$12.28 per gallon.

Cigarette tax will increase from 64 cents per package to \$2.14 per package. The amount of cigarette tax to the General Fund will increase from 49 cents to \$1.99.

The Personal Property Tax Relief Act will be repealed effective with tax year 2020.

LB497 proposes to repeal the sales tax exemptions for and begin taxing services as follows:

- Real property maintenance services
- Dry cleaning services
- Pet-related services
- Non-business legal services
- Storage services
- Personal care services including hair care, massages, nail services, spa services and tattoo services
- Travel agency services
- Dating and escort services
- Food for home consumption
- Admission to a zoo
- Repair or maintenance for motor vehicles

On or before June 30, 2020, \$150 million will be credited to the Cash Reserve Fund.

The bill has an operative date of January 1, 2020.

**Disposition at Sine Die:**

LB 497 remains in Committee.

**LB 506 (Briese) Adopt the Property Tax Request Limitation Act**

**Introduced Version:**

LB506 creates the Property Tax Request Limitation Act (Act). The Act will require the property tax request for a school district shall not exceed the property tax request authority of a school district. The Act shall not apply to the property tax request to retire bonds approved by the voters in a school district.

The property tax request authority will be calculated by the school board and reported to the Department of Education (NDE). NDE will provide the forms for a school board to use to report the property tax request authority. NDE will approve and certify the property tax request authority to the school board. There is no provision for NDE to adjust the property tax request authority before certifying the amount to the school board.

Step 1 in calculating the property tax request authority will be to increase the tax request from the prior year by using the highest percentage of the following:

- By the base growth percentage; or
- The annual percentage increase in student enrollment by .4; or
- Dividing the annual increase of limited English proficiency students by the student enrollment and then increasing the quotient by .25; or
- Dividing the annual increase in poverty students by the student enrollment and increasing the quotient by .25.

The base growth percentage is 2.5% or the percentage increase in the Consumer Price Index for all Urban Consumers. The property tax request is the amount of property taxes requested by a school district. Student enrollment is the number of students reported on the Fall Membership Report.

Step 2 in calculating the property tax request authority is:

- Decrease the amount from Step 1 by the difference of the total non-property tax revenue for the current year and the total non-property tax revenue for the prior year; or
- Increase the amount from Step 1 by the difference of the total non-property tax revenue for the prior year and the total non-property tax revenue for the current year.

Non-property tax revenue is revenue of a school district other than real and personal property taxes and reimbursements for special education programs and services.

A school district has two methods to exceed its property tax request authority.

- Special Election: The property tax request may exceed the property tax request authority by an *amount* approved by a 60% majority of legal voters.
- Vote of School Board: The property tax request may exceed the property tax authority by a *percentage* approved by a super-majority vote (75%) of the board.
  - The percentage will be determined based on the average daily member (ADM) of the school and is shown in the following table:

Percentage	ADM
7%	0 to 471.00
6%	471.01 to 3,044.00
5%	3,044.01 to 10,000.00
4%	10,000.01 and over

A school district's property tax request may exceed its property tax request authority pursuant to a successful levy override election prior to January 1, 2020.

If a school district chooses not to use the full amount of its property tax request authority to increase its property tax request, it may carry forward into future fiscal years the amount of the unused property tax request authority. Unused property tax request authority may be used to increase a school district's property tax request in a later year.

NDE will be required to create the forms necessary for a school board to calculate its property tax request authority and to calculate unused property tax request authority. The school board shall submit the documents to NDE on or before September 20 of each year. The penalty for failing to file the document by September 20 will be the withholding of TEEOSA for a maximum of 6 months until the form is filed. If the document is filed within the 6 month time frame, the school district will receive the withheld state aid. If the document is not file with the 6 month time frame, the withheld state aid will revert to the General Fund.

NDE is given the authority to adopt and promulgate rules and regulations to carry out the Act.

The bill has an operative date of January 1, 2020.

**Disposition at Sine Die:**

LB 506 remains in Committee.

## **LB 529 (Groene) Change provisions relating to a property tax exemption for hospitals**

### **Introduced Version:**

LB529 proposes for a hospital to qualify for tax-exempt status, the hospital must permit licensed medical practitioners in the community to use the hospital's facilities. The medical practitioners are not required to be employees of the hospital to use its facilities. A hospital may prohibit a practitioner from using its facilities if good cause is shown.

The property of the hospital shall be exempt in proportion to the percentage of the hospital's services that are provided gratuitously. The hospital shall establish the percentage by provided documentation to the county assessor showing the gross revenue of the hospital for the most recently completed fiscal year and an estimate of the value of the services provided gratuitously.

The new criteria for tax-exempt status will begin with tax year 2020 and each tax year thereafter.

### **Disposition at Sine Die:**

LB 529 remains in Committee.

## **LB 530 (Groene) Change the valuation of agricultural land and horticultural land for property tax purposes**

### **Introduced Version:**

LB530 proposes to reduce the actual valuation of agricultural and horticultural land from 75% of its actual value to 65% of its actual value. The same reduction applies to agricultural and horticultural land that qualifies for special valuation. This will reduce that tax base for all political subdivisions.

The acceptable range for agricultural and horticultural land will be reduced from 69% to 75% of its actual value to 59% to 65% of its actual value. The change in the acceptable range will apply to agricultural and horticultural land that qualifies for special valuation.

The bill will also change the percentage of adjusted valuation for agricultural and horticultural valuation used in the TEEOSA calculation from 72% of its actual value to 62% of its actual value. A reduction in the adjusted valuation will decrease the yield from local effort rate component of the resources calculation in TEEOSA. For equalized schools, this will increase the amount of Equalization Aid they receive through TEEOSA. For non-equalized schools, this will generate a lower amount of resources and may allow them to receive Equalization Aid.

LB530 has an operative date of January 1, 2020.

### **Disposition at Sine Die:**

LB 530 remains in Committee.

**LB 601 (Lindstrom) Change a property tax exemption relating to educational, religious, charitable, and cemetery organizations**

**Introduced Version:**

LB601 proposes to repeal the exemption from property taxes for property owned by an educational, religious, charitable, or cemetery organizations, used exclusively for educational, religious, charitable, or cemetery purposes, when such property is not used for the sale of alcoholic liquors for more than 20 hours per week.

**Disposition at Sine Die:**

LB 601 remains in Committee.

**LB 663 (Friesen) Change provisions relating to Nebraska adjusted basis**

**Introduced Version:**

LB663 proposes to change the method for calculating Nebraska adjusted basis for “like-kind exchanges” of similar depreciable personal property. Currently, the net book value (amount after depreciation) of the property is used to determine Nebraska adjusted basis. This bill would repeal using net book value and allow using the remaining federal tax basis as the Nebraska adjusted basis.

**Disposition at Sine Die:**

LB 663 was advanced to General File. LB 663 was passed on Final Reading, 44-0-5. LB 663 was approved by the Governor on May 01, 2019.

**LB 677 (Groene) Change provisions of the Property Tax Credit Act and provide school district property tax relief aid**

**Introduced Version:**

LB677 will reduce the statutory maximum levy for school district to \$0.9870 per \$100 of taxable valuation. The reduction in the statutory maximum levy will begin with school fiscal year 2020-21 and each school fiscal year thereafter. The current statutory maximum levy is \$1.05 per \$100 of taxable valuation.

The bill creates School District Property Tax Relief Aid. The Department of Revenue shall calculate and distribute school district property tax relief aid beginning with tax year 2020 and each tax year thereafter. Tax year 2020 will be school fiscal year 2020-21. The Department of Education (NDE) will provide the data need to calculate the funds to be distributed.

To qualify for the school district property tax relief aid, a school district will have general fund property tax receipts that exceed 55% of its total general fund revenue. This determination will be based on the most recently available complete data year that exists as of January 1 of the tax year.

A property tax gap will be calculated for schools qualifying for school district property tax relief aid. The property tax gap will equal the general fund property tax receipts less 55% of the total general fund revenue. This calculation based on the most recently available complete data year that exists as of January 1 of the tax year.

Schools that qualify for school district property tax relief aid will receive 75% of the school district property tax gap. Funding will for the school district property tax relief aid will come from the Property Tax Credit Cash Fund. Schools that receive school district property tax relief aid will be required to show the full amount as revenue before property taxes in its budget.

The Department of Revenue may adopt and promulgate rules and regulations for School District Property Tax Relief Aid.

On or before January 30, 2020 and each year thereafter, the Department of Revenue will determine the minimum amount to be appropriated to the Property Tax Credit Cash Fund and certify that amount to the Governor and the Appropriations, Revenue and Education Committees. The certified amount will be the greater of \$224,000,000 or the estimated increase in TEEOSA resulting from the decrease in the maximum levy from \$1.05 per \$100 of taxable value to \$0.9870 per \$100 of taxable value. The Appropriations Committee will be required to include the minimum amount necessary to be appropriated to the Property Tax Credit Cash Fund.

For tax year 2020 and each tax year thereafter (begins in school fiscal year 2020-21) NDE will certify to the State Treasurer an estimate of the statewide increase in TEEOSA resulting from the decrease in the statutory maximum levy. A decrease in the statutory maximum levy causes a decrease in the local effort rate (LER) in TEEOSA. This certification will be on or before January 15. The State Treasurer will transfer an amount certified by NDE from the Property Tax Credit Cash Fund to the TEEOSA fund.

LB677 clarifies the amount of relief granted under the Property Tax Credit Act shall be \$224 million for tax years 2017, 2018, and 2019. For tax year 2020 and each tax year thereafter, the relief granted under the Property Tax Credit Act shall be the amount available after transferring funds to the Tax Equity and Educational Opportunities Fund. The bill repeals the language that states property tax relief will be made to owners of real property in the form of a property tax credit.

The bill changes the definition for the levy override election proceeds of general fund operating expenditures (GFOE) in TEEOSA to match the new statutory maximum levy language.

Beginning with school fiscal year 2020-21 and each school fiscal year thereafter, NDE will calculate a preliminary equalization aid amount. The calculation of equalization aid will not change: Needs – Resources = Equalization Aid. The preliminary equalization aid amount will be used to determine qualification for an option enrollment relief correction. A school district that qualifies for the option enrollment relief correction shall have that amount added to its equalization aid.

The option enrollment relief correction is created in LB677. The option enrollment relief correction will be \$0.063 per \$100 of adjusted valuation. The option enrollment relief correction begins with school fiscal year 2020-21. To qualify for the option enrollment relief correction, a school district does not qualify for school district property tax relief aid; and net option funding is greater than 90% of preliminary state aid. Preliminary state aid is the sum of preliminary equalization aid plus net option funding plus allocated income tax funds plus community achievement plan.

Budget authority shall be reduced by 25% of the property tax gap. This reduction is done every year and does not reduce budget authority in subsequent school fiscal years. The school board may override all or a part of this reduction with a super majority vote of the board. A public hearing on this override is required to be held 30 days prior to approving the budget.

**Disposition at Sine Die:**

LB 677 remains in Committee.

# Sales Tax

## **LB 13 (Blood) Provide a sales tax exemption for breast pumps and related supplies and exempt breast-feeding from public indecency offenses**

### **Introduced Version:**

The bill exempts from sales and use tax:

- Breast pumps;
- Repair and replacement parts;
- Breast pump kits; and
- Collection and storage supplies.

The bill goes on to define these terms and conforms to the existing definition of bundled transactions:

77-2701.48 (4)(c) a transaction that includes taxable products and nontaxable products and the purchase price or sales price of the taxable products is de minimus. De minimus means the seller's purchase price or sales price of the taxable products is ten percent or less of the total purchase price or sales price of the bundled products.

The bill also provides that breast feeding in a public place is not public indecency. The operative date is set for October 1, 2019.

### **Committee Amendment:** AM 147 – adopted

Strike the original sections and insert the following new sections:

Section 1. Section 28-806, Reissue Revised Statutes of Nebraska, is amended to read:

28-806 (1) A person, eighteen years of age or over, commits public indecency if such person performs or procures, or assists any other person to perform, in a public place and where the conduct may reasonably be expected to be viewed by members of the public:

- (a) An act of sexual penetration; or
- (b) An exposure of the genitals of the body done with intent to affront or alarm any person; or
- (c) A lewd fondling or caressing of the body of another person of the same or opposite sex.

(2) Public indecency is a Class II misdemeanor.

(3) It shall not be a violation of this section for an individual to breast-feed a child in a public place.

Sec. 2. Original section 28-806, Reissue Revised Statutes of Nebraska, is repealed

### **Disposition at Sine Die:**



LB 13 was amended into LB 209. LB 209 was passed on Final Reading, 36-12-1. LB 209 was approved by the Governor on June 04, 2019.

**LB 18 (Briese) Adopt the Remote Seller Sales Tax Collection Act**

**Introduced Version:**

The bill creates the Remote Seller Sales Tax Collection Act. It requires remote sellers (those without a physical presence in the state) to collect and remit sales tax if:

1. Gross revenue from sales into the state exceed \$100,000 in the previous or current calendar year; or
2. Sales into the state exceed 200 or more separate transaction in the same time period.

The bill specifies that these obligations will not be applied retroactively. The Department of Revenue is required to annually determine the amount of revenue generated by remote sellers and generally credit such amounts to the Property Tax Credit Cash Fund.

The operative date is set for October 1, 2019.

**Disposition at Sine Die:**

LB 18 remains in Committee.

**LB 162 (Hunt) Impose sales and use taxes on certain services**

**Introduced Version:**

The bill imposes sales and use tax on the following services:

- Body piercing;
- Tattooing;
- Tanning; and
- Electrolysis hair-removal.

The Act becomes operative on October 1, 2020.

**Disposition at Sine Die:**

LB 162 remains in Committee.

**LB 170 (Hunt) Provide a sales and use tax exemption for feminine hygiene products**

**Introduced Version:**

The bill exempts from sales and use tax “feminine hygiene products” as defined. The definition conforms to the Streamlined Sales Tax Agreement. The bill also defines “grooming and hygiene products” which are distinguishable from feminine hygiene products. This also conforms to the Streamlined definitions.

The operative date is set for October 1, 2019.

**Disposition at Sine Die:**

LB 170 remains in Committee.

**LB 187 (Lindstrom) Change the Sports Arena Facility Financing Assistance Act**

**Introduced Version:**

LB187 proposes to add a two new definitions to an eligible sports arena facility to the Sports Arena Facility Financing Assistance Act. The first new definition is for any sports complex which would include concession areas, parking facilities and onsite administrative offices connected with operating the sports complex. The second new definition is for a multipurpose field. A multipurpose field is defined to mean a rectangular field of grass or synthetic turf which is primarily used for competitive field sports. Competitive sports may include soccer, football, flag football, lacrosse or rugby.

The bill would repeal the occupancy requirement to receive a turn back of sales tax and replaces occupancy with project completion date. Project completion date is defined as:

- Projects involving the acquisition or construction of any eligible sports arena facility, the date of initial occupancy of the facility following the completion of such acquisition or construction; or
- For all other projects, the date of completion of the project for which state assistance is received.

To qualify for the sales tax turn back, a sports complex is a facility that includes indoor areas, outdoor areas, or both, be primarily used for competitive sports and contain at least 12 separate sports venues if located in a city of the metropolitan class; 8 separate sports venues if located in a city of the primary class; or 4 separate sports venues if located in a city of the first class, second class, village or county.

Sports venues may include, but are not limited to:

- A baseball field;
- A softball field;
- A multipurpose field;

- An outdoor stadium primarily used for competitive sports;
- An outdoor arena primarily used for competitive sports; or
- An enclosed, temperature-controlled building primarily used for competitive sports

The details required in an application for the Sports Arena Facility Financing Assistance Act, the requirement for a public hearing on the application, and the approval or denial of the application are not changed by LB187.

The bill has the Emergency Clause.

**Disposition at Sine Die:**

LB 187 remains in Committee.

**LB 218 (Lindstrom) Redefine real property and gross receipts for tax purposes**

**Introduced Version:**

The bill amends the sales and use tax definition of “tangible personal property” to exclude electric generation, transmission, distribution, and street lighting structures or facilities owned by a political subdivision of the state”, thereby making these items exempt from sales and use tax.

The bill also amends the sales and use tax definition of “gross receipts” to exclude receipts from a lease or the use of electric generation, transmission, distribution, or street lighting structures or facilities owned by a political subdivision of the state.

The bill contains the Emergency Clause.

**Committee Amendment:** AM 536 – adopted

The amendment becomes the bill. Rather than excluding certain electric generation property from the sales tax definition of tangible personal property, it amends the definition of real property to include these types of property, thereby excluding them from the sales tax base.

**Disposition at Sine Die:**

LB 218 was advanced to General File as amended. LB 218 was passed on Final Reading with the Emergency Clause, 48-0-1. LB 218 was approved by the Governor on May 19, 2019.

**LB 236 (Crawford) Change access to sales and use tax information with respect to the Nebraska Advantage Transformational Tourism and Redevelopment Act**

**Introduced Version:**

The bill amends Neb.Rev.Stat. §77-2711, which lists the exceptions to the general rule prohibiting disclosure of confidential of tax information under the purview of the Tax Commissioner.

Under current law, one person designated by a municipality with a local option sales tax is allowed to review confidential sales and use tax return information of sales tax permit holders with locations within the boundaries of the municipality. The return information must be reviewed on the premises of the Department of Revenue and may not be removed from the premises.

The bill would allow this information to be sent electronically to the designated person at the municipality rather than requiring them to review the information on the premises of the Department. This would only apply to situations in which the request is from a municipality that has an agreement under the Nebraska Advantage Transformational Tourism and Redevelopment Act.

The information would be sent electronically in a secure manner as determined by the Tax Commissioner.

**Disposition at Sine Die:**

LB 236 advanced to General File. LB 236 remains on General File.

**LB 237 (Crawford) Change provisions relating to sales and use tax collection fees and authorize use of certain fees for revenue enforcement**

**Introduced Version:**

The bill increases the sales and use tax collection fee for county treasurers. Under current law, county treasurers are allowed to withhold the same collection fee as any retailer and the revenue is to be used for the county general fund. The retailer collection fee is currently capped at \$75 per month.

The bill would increase this amount by one-half of one percent of all amounts collected in excess of \$3,000 per month. 75% would be deposited in the county general fund and 25% would be allocated to the county road fund.

The operative date is set as January 1, 2020.

**Committee Amendment:** AM 676 – adopted

The amendment requires any county with a population of 150,000 or more to remit one dollar for each of the first 5,000 vehicles registered to the Department of Revenue to delay the costs incurred to implement the bill.

**Disposition at Sine Die:**

LB 237 was advanced to General File as amended. LB 237 was passed on Final Reading, 44-4-1. LB 237 was approved by the Governor on May 08, 2019.

**LB 242 (Lindstrom) Adopt the Infrastructure Improvement and Replacement Assistance Act and provide for a turnback of state sales tax revenue**

**Introduced Version:**

LB242 will create the Infrastructure Improvement and Replacement Assistance Act. The intent is to assist municipalities and sewer and water utilities by establishing a turn back of state sales tax revenue to provide funds to be used to replace and redevelop sewer and water infrastructure facilities and to redevelop and replace obsolete sewer and water facilities.

The bill provides the state shall pay each political subdivision, sewer utility, or water utility a percentage of the state sales tax imposed on sewer and potable water fees and collected by such political subdivision or utility. The amount of the turn back will be:

- 2% for sales taxes from July 1, 2019 through June 30, 2021
- 3% for sales taxes imposed from July 1, 2021 through June 30, 2023
- 4% for sales taxes imposed on and after July 1, 2023

Funds received shall be used exclusively to assist in:

- Paying for infrastructure improvements relating to constructing, upgrading, redeveloping, or replacing sewer and water infrastructure facilities;
- Paying for the redevelopment and replacement of obsolete water or sewer facilities;  
or
- Repaying bonds issued and pledged for such work.

The Department of Revenue is authorized to adopt and promulgate rules and regulations to carry out the provisions of this Act.

The bill has the Emergency Clause.

**Disposition at Sine Die:**

LB 242 remains in Committee.

**LB 279 (Bostelman) Provide a sales and use tax exemption for food sold by veterans service organizations**

**Introduced Version:**

LB279 proposes to exempt from sales tax prepared food and food ingredients sold by a veterans service organization. The veterans service organization must be congressionally chartered, have active chapters in Nebraska, and is exempt from federal income tax under section 501(c)(19) of the Internal Revenue Code of 1986, as amended.

The bill has an operative date of October 1, 2019.

**Disposition at Sine Die:**

LB 279 remains in Committee.

**LB 284 (McCollister) Change sales and use tax provisions relating to out-of-state retailers and multivendor marketplace platforms**

**Introduced Version:**

The bill increases the sales and use tax collection fee for county treasurers. Under current law, county treasurers are allowed to withhold the same collection fee as any retailer and the revenue is to be used for the county general fund. The retailer collection fee is currently capped at \$75 per month.

The bill would increase this amount by one-half of one percent of all amounts collected in excess of \$3,000 per month. 75% would be deposited in the county general fund and 25% would be allocated to the county road fund.

The operative date is set as January 1, 2020.

**Committee Amendment:** AM 392 – adopted

The amendment makes the following changes:

1. It creates two separate subsections to address the obligations of remote sellers and multivendor marketplace platform operators to collect and remit tax on sales into the state if they exceed the specified thresholds for "doing business in this state" despite the lack of a physical presence in the state;
2. Adds a provision under the definition of "doing business in this state" that includes "conducting operations in this state that exceed the limitations of the commerce clause and due process clause of the United States Constitution";
3. Clarifies the activities which, if conducted by a seller in this state, exceed the limitations of the United States Constitution;
4. Amends the definition of "gross receipts" to include the receipts of multivendor marketplace platform operators;
5. Amends the definitions under "Retailer" to include multivendor marketplace platform operators;
6. Clarifies that when the threshold are exceed for the first time, the seller must obtain a permit from the Department of Revenue and begin collecting and

- remitting sales tax on or before the first day of the second calendar month after the threshold(s) was exceeded;
7. Adds a credit for individual remote sellers who are collecting and remitting tax to the state for taxes collected and remitted by a multivendor marketplace platform operator on the same sales of tangible personal property. The bill as drafted contained such a credit for the multivendor marketplace platform operators in the event the individual seller has already collected and remitted the tax. Both such persons are jointly liable for the tax;
  8. The amendment strikes references to other statutory chapters regarding Local Option Sales Taxes as those provisions are specifically incorporated under existing provisions of the Nebraska Revenue Act of 1967; and
  9. Changes the operative date from July 1 to April 1, 2019.

**Disposition at Sine Die:**

LB 284 was advanced to General File as amended. LB 284 was passed on Final Reading, 43-0-6. LB 284 was approved by the Governor on March 21, 2019.

**LB 290 (Linehan) Change the sales and use tax rate**

**Introduced Version:**

LB290 would change the sales tax rate effective July 1, 2020. The bill, as introduced, is a placeholder bill.

**Disposition at Sine Die:**

LB 290 remains in Committee.

**LB 291 (Linehan) Change sales and use tax provisions**

**Introduced Version:**

The bill requires remote sellers (those without a physical presence in the state) and/or “marketplace platforms” that facilitate remote sales to collect and remit sales tax if:

1. Gross revenue from sales into the state exceed \$100,000 in the previous or current calendar year; or
2. Sales into the state exceed 200 or more separate transaction in the same time period.

The bill relieves a remote seller from liability to collect and remit the sales tax if the marketplace platform collects and remits the tax. The seller must still file a return with the state but is allowed to claim credit for the tax collected and remitted on its behalf by the marketplace platform.

The bill clarifies that remote sellers who exceed either threshold during the calendar year are required to register and begin collecting sales tax on or before the first day of the second calendar month after the threshold was exceeded. It modifies the definitions of “gross receipts” and “retailer” to include a marketplace platform facilitator.

The bill contains an emergency clause and sets the operative date as April 1, 2019.

**Disposition at Sine Die:**

LB 291 remains in Committee.

**LB 349 (Friesen) Provide sales and use tax collection duties for certain peer-to-peer rentals of vehicles**

**Introduced Version:**

The bill would make “peer-to-peer” rentals of motor vehicles subject to the sales tax. “Peer-to-peer” is defined to mean a “rental transaction in which one individual rents his or her personal property to another individual for short-term use.”

The tax would be imposed on the rental price and would be collected and remitted by the party facilitating the rental. Motor vehicles include automobiles, trucks, trailers, semitrailers, and truck-tractors as defined in the Motor Vehicle Registration Act.

**Disposition at Sine Die:**

LB 349 remains in Committee.

**LB 410 (Kolowski) Exempt certain sales of clothing and footwear from sales and use taxes**

**Introduced Version:**

LB410 proposes to create a sales tax holiday for back-to-school shopping. The sales tax holiday would begin the first Friday in August and end the following Saturday. The time zone of the seller’s location will determine the time of the sales tax holiday when the purchaser is located in a different time zone.

The bill specifies the sales tax holiday only applies to clothing costing \$100 or less per item and footwear costing \$150 or less per item. Clothing and footwear that have been ordered or placed on layaway and paid for in full during the timeframe are included in the sales tax holiday. Rain checks issued during the eligible timeframe will qualify for the sales tax exemption.

The bill states the sales tax holiday does not apply to the following:

- Clothing accessories or equipment
- Protective equipment



- Sport or recreational equipment
- Any item for use in a trade or business
- The sale of an item in a theme park, entertainment complex, public lodging establishment, or airport
- The lease or rental of any item

LB410 provides the requirements for exchanging clothing or footwear and receiving the sales tax exemption. If the exchange occurs during the eligible timeframe, no additional tax is due. If the exchange occurs after the eligible timeframe, sales tax is due on the new item. If the purchase is made before the eligible timeframe and the purchase is returned during the eligible timeframe, no sales tax is due on the new item if the item is purchased during the eligible timeframe.

The bill provides a 60-day period that begins immediately after the exemption period for returns of items that would qualify for the sales tax exemption. When a customer returns an item that would qualify for the sales tax exemption, no credit for or refund of sales tax will be made without a receipt or invoice that shows the tax was paid.

The 60-day period is solely to designate a time period during which a customer is required to provide documentation that shows sales tax was paid on the returned merchandise. It is not intended to change a seller's policy on the period of time they will accept returns.

The bill has the Emergency Clause.

**Disposition at Sine Die:**

LB 410 remains in Committee.

**LB 429 (Wayne) Change tax provisions for cigars, cheroots, and stogies**

**Introduced Version:**

LB429 proposes to tax cigars, cheroots and stogies at 20% of the purchase price of the cigars, cheroots, or stogies paid by the first owner; or the price at which a first owner who made, manufactured, or fabricated the cigars, cheroots, or stogies sells the items to others. The maximum tax imposed shall be 50 cents for each cigar, cheroot, or stogie.

The bill has an operative date of October 1, 2019.

**Disposition at Sine Die:**

LB 429 remains in Committee.

**LB 441 (McCollister) Change provisions relating to certain sales and use tax refund deductions and applicability to municipalities as prescribed**

**Introduced Version:**

The bill creates notification requirements and delays refund payments by metropolitan and primary class cities for refunds claimed under the Employment and Investment Growth Act and the Nebraska Advantage Act. These provisions are similar to those currently in statute for first and second class cities and villages except as noted below.

The Department of Revenue is required to notify such cities by March 1, 2020 and every March 1 thereafter if a refund will exceed \$1,500. The refund amount will be for the calendar year following the year of notification. The Department will deduct the refund over the course of this year in equal monthly amounts.

TECHNICAL NOTE: The last sentence of the new language states that these requirements only apply when the refund amount exceeds \$1 million. This directly conflicts with the language at the beginning of the section that imposes these requirements when the refund exceeds \$1,500. Further, the new language does not state the effective date for these requirements. The existing provisions for first and second class cities specifies that the requirements apply to refunds beginning January 1, 2014.

Finally, the new language states that the equal monthly amounts are to be deducted beginning after the one-year notification period. There is no one-year notification period specified in the bill.

**Disposition at Sine Die:**

LB 441 remains in Committee.

**LB 456 (Lathrop) Provide a sales and use tax exemption for certain machinery and equipment used to produce electricity**

**Introduced Version:**

The bill would add a new provision to the sales and use tax exemption for machinery and equipment. Machinery or equipment using one or more sources of renewable energy for the production of electricity would be exempt from sales and use tax. Machinery or equipment used to store the electricity would also be exempt.

Renewable energy is defined to include, but is not limited to, wind, solar, geothermal, hydroelectric, biomass and transmutation of elements.

The operative date is set as October 1, 2019.

**Disposition at Sine Die:**

LB 456 remains in Committee.

**LB 472 (Dorn) Adopt the Qualified Judgment Payment Act, authorize a sales and use tax, and require a property tax levy**

**Introduced Version:**

LB472 proposes to create the Qualified Judgment Payment Act (Act). A qualified judgment is defined as a judgment rendered against a county by a federal court for a violation of federal law.

Upon the adoption of resolution by at least 67% of the county board, the county may impose a sales tax of .5% on qualified sales to pay a qualified judgment. The county shall furnish a certified copy of the resolution imposing the tax to the Tax Commissioner. The sales tax receipts shall be used to pay the qualified judgment. The tax shall begin on the first day of the first calendar quarter which begins at least 60 days after receipt by the Tax Commissioner of the certified copy of the resolution. A county shall not impose a sales tax pursuant to the Qualified Judgment Payment Act if the county is imposing a tax to finance public safety services or funds under an agreement pursuant to the Interlocal Cooperative Act or Joint Public Agency Act.

The sales tax shall terminate on the first day of the first calendar quarter which begins after the qualified judgment has been paid in full. The county shall notify the Tax Commissioner of the anticipated termination date at least 120 in advance.

The Tax Commissioner shall administer all sales tax imposed pursuant to this Act. The Tax Commissioner shall collect the sales tax concurrently with collection of the state sales tax in the same manner as the state tax is collected. The Tax Commissioner may prescribe forms and adopt and promulgate rules and regulations. The Tax Commissioner shall provide at least 30 days' notice of the adoption of the tax to retailers within the county. Such notice may be provided through the web site of the Department of Revenue or by other electronic means.

The Tax Commissioner shall remit monthly the proceeds of the tax to the county after deducting the amount of refunds made and retaining 3% of the remainder as an administrative fee. All receipts from the 3% administrative fee shall be deposited in the General Fund.

Upon any claim of illegal assessment and collection of any sales and use tax imposed pursuant to this Act, the taxpayer has the same remedies provided for claims of illegal assessment and collection of the state sales and use tax.

Beginning January 1, 2021, the sale of any motor vehicle or trailer operated by a public power district shall be sourced to the place where the motor vehicle or trailer has situs.

**Disposition at Sine Die:**

LB 472 was advanced to General File. LB 472 was passed on Final Reading, 43-6-0. LB 472 was returned by Governor without approval on April 24, 2019. LB 472 passed notwithstanding objections of the Governor, 41-8-0.

**LB 507 (Briese) Impose sales tax on certain services and eliminate sales tax exemptions**

**Introduced Version:**

The bill imposes sales and use tax on the following services:

- Motor vehicle detailing;
- Pet-related services;
- Cleaning of tangible personal property;
- Storage and moving services;
- Investment advice;
- Personal care services including hair care, nail services, spa services, and tattoo services;
- Maintenance, painting, repair, and interior decoration for single-family housing;
- Limousine, taxi, ride-sharing, and other transportation;
- Travel agents and tour operators;
- Lawn care, gardening, and landscaping;
- Parking;
- Swimming pool cleaning and maintenance;
- Dating and escorts;
- Instruction in music, dance, golf, and other recreational activities;
- Custom meat slaughtering;
- Legal, accounting, and tax preparation services “other than in furtherance of a for-profit business enterprise;”
- Tanning;
- Architectural for single-family housing;
- Telefloral delivery;
- Contractor labor for any major addition, remodeling, restoration, repair, or renovation of owner-occupied residential housing;
- Wedding planning;
- Shoe shining;
- Weight loss;

- Personal training;
- Massage, except when prescribed by a licensed health care professional;
- Interior design;
- Clothing alteration; and
- Plumbing.

The bill repeals the following sales and use tax exemptions;

- Prepared food and food and food ingredients served by public or private schools, school districts, student organizations, or parent teacher associations pursuant to an agreement with the proper school authorities, in an elementary or secondary school or at any institution of higher education, public or private, during the regular school day or at an approved function of any such school or institution;
- Fees and admissions charged for political events by ballot question committees, candidate committees, independent committees, and political party committees as defined in the Nebraska Political Accountability and Disclosure Act;
- Fees and admissions charged by a public or private elementary or secondary school and fees and admissions charged by a school district, student organization, or parent-teacher association, pursuant to an agreement with the proper school authorities, in a public or private elementary or secondary school during the regular school day or at an approved function of any such school;
- Fees and admissions charged for participants in any activity provided by a nonprofit organization that is exempt from income tax under section 501(c)(3) of the Internal Revenue Code of 1986, as amended, which organization conducts statewide sport events with multiple sports for both adults and youth;
- Fees and admissions charged for participants in any activity provided by a nonprofit organization that is exempt from income tax under section 501(c)(3) of the Internal Revenue Code of 1986, as amended, which organization is affiliated with a national organization, primarily dedicated to youth development and healthy living, and offers sports instruction and sports leagues or sports events in multiple sports;
- Soft drinks, candy or bottled water;
- Food sold by fraternities, sororities, dormitories, boarding houses, retirement communities, and other residential facilities where food is provided by the facility as part of the agreement for occupancy;
- Leased property sold to a lessee of that property under an agreement whereby certain rental payments are credited against the purchase price of that property;

- Sales and purchases of electricity, coal, gas, fuel oil, diesel fuel, tractor fuel, propane, gasoline, coke, nuclear fuel, butane, wood as fuel, and corn as fuel when more than fifty percent of the amount purchased is for use directly in irrigation or farming;
- Sales and purchases of such energy sources or fuels when more than fifty percent of the amount purchased is for use directly in processing, manufacturing, or refining, in the generation of electricity, in the compression of natural gas for retail sale as a vehicle fuel, or by any hospital, including the drying and aerating of grain in commercial agricultural facilities;
- Sales and purchases of water used for irrigation of agricultural lands and manufacturing purposes;
- State Lottery tickets;
- The use of a prepaid calling service or a prepaid wireless calling service;
- Property as defined in subdivision (8) of section 51-702 or fine art by any museum as defined in subdivision (6) of section 51-702;
- Historic automobile museums;
- Currency or bullion; and
- Membership or admission to or purchases by a zoo or aquarium.

The net increase in state tax revenue under the bill is to be determined annually by the Tax Commissioner and credited to the Property Tax Credit Cash Fund. The bill is operative on January 1, 2020.

**Disposition at Sine Die:**

LB 507 remains in Committee.

**LB 508 (Briese) Impose sales and use taxes on certain services, eliminate sales tax exemptions, and use the increased revenue for property tax credits.**

**Introduced Version:**

LB508 is very similar to LB507, only smaller in scale. Of the 28 services added to the sales tax base under LB507, LB 508 adds 16 of the same services. Personal care services in general are taxed under LB507 while only hair care is taxed under this same category in LB508.

Of the 17 sales tax exemptions that are repealed under LB507, only 8 are repealed under LB508. LB507 repeals the exemption for soft drinks, candy and bottled water while LB508 does not repeal the exemption for bottled water.

LB508 also directs any net increase in revenue to the Property Tax Credit Cash Fund and has the same operative date of January 1, 2020.

**Disposition at Sine Die:**

LB 508 remains in Committee.

**LB 585 (Friesen) Create the Renewable Fuel Infrastructure Program and provide for grants**

**Introduced Version:**

The bill creates the Renewable Fuel Infrastructure Program. The program will be administered through the State Energy Office (NOTE: LB302 which merges the Energy Office with the Department of Environmental Quality was approved by the Governor on March 21, 2019). Grants would be distributed for eligible infrastructure projects at retail motor fuel sites to install, replace, or convert ethanol infrastructure. The office is authorized to approve up to \$1 million in grants in any calendar year.

To be eligible for a grant, a person must be an owner or operator of a retail motor fuel site. Eligible projects must be designed and used exclusively to store and dispense E-15 or E-85 or a blend of ethanol and gasoline. The project must be on the premises of a retail motor fuel site and the project must be a cost-share project.

Cost-share project means a grant that shall not exceed 50% of the estimated cost or \$30,000, whichever is less, for a 3-year cost-share agreement or 70% of the estimated costs or \$50,000, whichever is less, for a 5-year cost-share agreement.

Successful applicants must comply with federal and state standards governing new or upgraded motor fuel storage tanks for renewable fuels and such tanks shall not be used for anything other than renewable fuels unless a waiver is granted by the office.

\$1 million is appropriated to the Renewable Fuel Infrastructure Fund. No more than 10% of the funds may be used for administrative purposes.

The operative date is January 1, 2020.

**Committee Amendment:** AM 953 – adopted

The amendment clarifies that the grants are for blends higher than E-15 and that the Energy Office award grants to the maximum number of qualified applicants.

The amendment removes the elimination of the sales tax exemption for currency and bullion which was intended to cover the costs of the program.

**Disposition at Sine Die:**

LB 585 was advanced to General File as amended. LB 585 was passed on Final Reading, 49-0-0. LB 585 was approved by the Governor on May 08, 2019.

## **LB 614 (Crawford) Change revenue and taxation provisions**

### **Introduced Version:**

LB614 makes numerous significant changes to the state tax structure as follows:

Sections 1 and 2 – Increases the excise tax on alcohol and spirits from \$3.75 per gallon to \$8.02;

Section 3 through 7 – Repeal the personal property tax exclusion for the first \$10,000 of value effective January 1, 2020’

Section 8 – Increases the cigarette excise tax from \$0.64 per pack to \$2.14 and diverts \$1.50 to the Property Tax Credit Cash Fund beginning January 1, 2020;

Section 9 – Imposes sales tax on candy, soft drinks, and bottled water;

Section 10 – Increases the Earned Income Tax Credit from 10% of the federal credit to 15% for taxable years beginning or deemed to begin on or after January 1, 2020;

Section 11 – Repeals the Special Capital Gains and Extraordinary Dividends exclusion for taxable years beginning or deemed to begin on or after January 1, 2020;

Section 12 and 14 – Repeal the special apportionment for S Corporation and Limited Liability Companies and requires resident shareholders or members to include their entire share of income in Nebraska taxable income for taxable years beginning or deemed to begin on or after January 1, 2020;

Section 13 – Repeals the use of itemized deductions except those for medical and dental expenses for taxable years beginning or deemed to begin on or after January 1, 2020;

Section 15 – Introduces the Tax Equity and Educational Opportunities Support Act (TEEOSA).

Section 16 – Amends the definitions used in TEEOSA to add the property tax relief allowance to adjusted general fund operating expenditures.

Section 17 - Increases the allocated income tax funds from 2.23% to 20% of a school district’s income tax liability. This increase will begin for school fiscal year 2019-20 and each school fiscal year thereafter.

Section 18 – Creates supplemental state aid beginning in school fiscal year 2019-20 and each school fiscal year thereafter. The mount will equal .0433% of statewide average general fund operating expenditures and will be distributed based on formula students. Supplemental state aid will be included in calculation of formula resources.

Beginning in school fiscal year 2019-20 and each school fiscal year thereafter, a property tax relief allowance equal to the supplemental state aid amount will be included in the calculation of formula needs.



Section 19 – Adds the property tax relief allowance to the calculation of formula needs.

Section 20 – Adjusts the calculation of formula resources beginning with school fiscal year 2019-20 and each school fiscal year thereafter to include the sum of other actual receipts, net option funding, allocated income tax funds, community achievement plan aid and supplemental state aid minus the amounts paid by the district in the most recently available complete data year as property tax refunds.

Section 21. – For school fiscal year 2018-19 and thereafter, NDE will reimburse at least 80% of total excess allowable costs for all special education (SPED) programs and support services. The current rate of reimbursement is approximately 47%. If the appropriation exceeds 80% of the total excess allowable costs, the reimbursement percentage shall be calculated based on the ratio of the appropriation to the aggregate total excess allowable costs for all SPED programs and support services.

Section 22 – Provides the appropriation for SEPD programs and support services beginning in fiscal year 2019-20 and thereafter shall not be less than 80% of the total excess allowable costs plus the amount set aside for reimbursement of residential settings.

Section 23 – Another budget summary is created for school districts and educational service units. Before the budget for the ensuing fiscal year can be approved, the board shall publish a budget summary that includes the following

- The percentage of the budget that comes from federal sources.
- The percentage of the budget that comes from state sources.
- The percentage of the budget that comes from local sources.
- Any budgeted reductions or additions to staff, programs, or services.
- Provide a reasonable estimate and description of all current and future cost savings the school district or educational service unit will realize if the proposed budget were to be adopted.

The budget summary will be required to be published at least three days prior to the hearing. Electronic publication on the web site of the school district or educational service unit shall satisfy the requirement for publication if the electronic publication is prominently displayed and allows public access to the entire summary.

The penalty for not publishing this budget summary will be the withholding of TEEOSA or core services and technology infrastructure funds and all funds held by the county treasurer until the school district or educational service unit complies with publishing this budget summary. If the board does not comply with this section prior to October 1 following the school fiscal year for which the state aid or core services and technology infrastructure funding was calculated, the funds shall revert to the General Fund.

The bill contains the Emergency Clause.

**Disposition at Sine Die:**

LB 614 remains in Committee.

## **Tax Credits and Incentives**

### **LB 5 (Blood) Change the Beginning Farmer Tax Credit Act**

**Introduced Version:**

The bill amends the Beginning Farmer Tax Credit Act by creating a slightly increased credit if the beginning farmer or livestock producer is a veteran.

For cash rent agreements the credit would be 11 percent of gross rental income for veterans, 10 percent for all others. For share rent agreements the credit would be 15 percent of the cash equivalent of gross rental income for veterans, 16 percent for all others.

Veteran has the same meaning as in Section 48-225 which provides:

- (1) Servicemember means a person who serves on active duty in the armed forces of the United States except for training;
- (2) Veteran means:
  - i. A person who served full-time duty with military pay and allowances in the armed forces of the United States, except for training or for determining physical fitness, and was discharged or otherwise separated with a characterization of honorable or general (under honorable conditions); or
  - ii. The spouse of a veteran who has a one hundred percent permanent disability as determined by the United States Department of Veterans Affairs;
- (3) Full-time duty means duty during time of war or during a period recognized by the United States Department of Veterans Affairs as qualifying for veterans benefits administered by the department and that such duty from January 31, 1955, to February 28, 1961, exceeded one hundred eighty days unless lesser duty was the result of a service-connected or service-aggravated disability;
- (4) Disabled veteran means an individual who has served on active duty in the armed forces of the United States, has been discharged or otherwise separated with a characterization of honorable or general (under honorable conditions) therefrom, and has established the present existence of a service-connected disability or is receiving compensation, disability retirement benefits, or pension because of a public statute

administered by the United States Department of Veterans Affairs or a military department; and

- (5) Preference eligible means any veteran as defined in this section or the spouse of a servicemember as defined in this section, except that for a spouse of a servicemember such preference is limited to the time during which the servicemember serves on active duty as described in subdivision (1) of this section and up to one hundred eighty days after the service member's discharge or separation from service.

The changes would be effective credits earned in tax years beginning or deemed to begin on and after January 1, 2020.

**Disposition at Sine Die:**

LB 5 remains in Committee.

**LB 69 (M. Hansen) Provide income tax credits for caregivers as prescribed**

**Introduced Version:**

The bill creates a new \$300 credit against individual income tax for caregivers who are qualified resident individuals which may be nonrefundable or refundable.

The nonrefundable credit is available to such individuals if:

- Federal AGI is more than 200% of federal poverty guidelines but not more than 400%;
- No credit has been claimed under the federal elderly and disabled credit program (IRC §22); and
- They care for another person who:
  - Resided at the same residence for at least 6 months during the tax year;
  - Is physically or mentally incapable of caring for themselves; and
  - Has income that does not exceed 200% of federal poverty guidelines.

The refundable credit is available to such individuals if:

- Federal AGI is not more than 200% of federal poverty guidelines; and
- They care for another person who:
  - Resided at the same residence for at least 6 months during the tax year;
  - Is physically or mentally incapable of caring for themselves; and
  - Has income that does not exceed 200% of federal poverty guidelines.

The bill is operative for taxable years beginning or deemed to begin on January 1, 2020.

**Disposition at Sine Die:**

LB 69 remains in Committee.

**LB 88 (Wayne) Provide an income tax credit for certain purchases of a residence**

**Introduced Version:**

The bill creates a new nonrefundable credit of \$5,000 against individual income tax for any resident individual who purchases a residence during the taxable year that is located in an area that has been designated “extremely blighted” under the Community Development Law:

(3) Blighted area means an area (a) which, by reason of the presence of a substantial number of deteriorated or deteriorating structures, existence of defective or inadequate street layout, faulty lot layout in relation to size, adequacy, accessibility, or usefulness, insanitary or unsafe conditions, deterioration of site or other improvements, diversity of ownership, tax or special assessment delinquency exceeding the fair value of the land, defective or unusual conditions of title, improper subdivision or obsolete platting, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, substantially impairs or arrests the sound growth of the community, retards the provision of housing accommodations, or constitutes an economic or social liability and is detrimental to the public health, safety, morals, or welfare in its present condition and use and (b) in which there is at least one of the following conditions: (i) Unemployment in the designated area is at least one hundred twenty percent of the state or national average; (ii) the average age of the residential or commercial units in the area is at least forty years; (iii) more than half of the plotted and subdivided property in an area is unimproved land that has been within the city for forty years and has remained unimproved during that time; (iv) the per capita income of the area is lower than the average per capita income of the city or village in which the area is designated; or (v) the area has had either stable or decreasing population based on the last two decennial censuses. In no event shall a city of the metropolitan, primary, or first class designate more than thirty-five percent of the city as blighted, a city of the second class shall not designate an area larger than fifty percent of the city as blighted, and a village shall not designate an area larger than one hundred percent of the village as blighted. A redevelopment project involving a formerly used defense site as authorized under section 18-2123.01 shall not count towards the percentage limitations contained in this subdivision; Section 18-2103.

The residence must be the taxpayer’s primary residence and may not have been purchased from a family member as defined on page 6 of the bill. No more than one credit may be claimed for a single residence and the credit may be carried forward until fully utilized. The credit may be recaptured if the taxpayer sells the residence or quits using it as their primary residence. The bill is operative for taxable years beginning or deemed to be on January 1, 2020.

**Committee Amendment:** AM 791 – pending

The amendment provides procedures for declaring an area extremely blighted.

**Disposition at Sine Die:**

LB 88 was amended into LB 86. LB 86 was passed on Final Reading, 47-0-2. LB 86 was approved by the Governor on May 30, 2019.

**LB 222 (Albrecht) Change the Volunteer Emergency Responders Incentive Act**

**Introduced Version:**

LB222 would require the certification administrator of a county, city, village or rural or suburban fire protection district to provide each volunteer member with a notice of the number of points accumulated during the first 6 months of the calendar year. The accumulation of points is based upon the standard criteria for qualified active service. The notification will be provided no later than July 15 of each year.

The certification administrator shall provide each volunteer member with a written certification stating the total number of points accumulated by the volunteer member during the immediately preceding calendar year of service. The certification will indicate whether the volunteer member has qualified as an active emergency responder, active rescue squad member, or active volunteer firefighter for such year. This certification will be provided no later than February 1 of each year and may be sent electronically or by mail.

The certification administrator will file with the Department of Revenue, no later than February 15, a certified list of volunteer members who qualify for the tax credit. The volunteer member that qualifies for the tax credit will include a copy of the certification of eligibility to his or her income tax return.

LB222 has an operative date of January 1, 2020. I am not sure how this operative date fits within the new provisions of the bill to notify the volunteer member no later than July 15 of each year.

**Committee Amendment:** AM 424 – adopted

The amendment provides that the certification administrator shall also send a copy of the certified list to the governing body of the county, city, village or rural or suburban fire protection district in addition to sending it to the Department of Revenue

**Disposition at Sine Die:**

LB 222 was advanced to General File as amended. LB 222 was passed on Final Reading, 46-0-3. LB 222 was approved by the Governor on May, 01 2019.

**LB 266 (Lindstrom) Change the School Readiness Tax Credit Act**

**Introduced Version:**

LB266 expands the definition of eligible staff member for purposes of the Nebraska Early Childhood Professional Record System and the School Readiness Tax Credit Act. Self-employed individuals providing child care and early childhood education may be eligible for the School Readiness Tax Credit.

Additional language is added to LB 266 to provide for the distribution of the tax credit to a child care and education provider of a partnership, LLC, Subchapter S, an estate or trust.

LB266 has an operative date of on or after January 1, 2020.

**Disposition at Sine Die:**

LB 266 was advanced to General File. LB 266 remains on General File.

**LB 272 (Morfeld) Adopt the Apprenticeship Training Program Tax Credit Act**

**Introduced Version:**

The bill creates the Apprenticeship Training Program Tax Credit Act. It creates a nonrefundable income tax credit for employers participating in a qualified apprenticeship training program administered pursuant to 29 U.S.C. 50. Such a program must consist of at least 1,200 hours but not more than 8,000 hours of the on-the-job training, must be certified in accordance with regulations adopted by the U.S. Department of Labor and must be administered by trustees.

The credit is equal to \$1 multiplied by the total number of hours expected be worked during the following calendar year by apprentices, but cannot exceed \$2,000 per apprentice in any year or 50 percent of the total wages expected to be paid, whichever is less. The total program amount is capped at \$2.5 million per calendar year.

The credit is available against individual, corporate, and fiduciary income tax as well as the insurance premiums tax and may be carried forward until fully utilized. The Department of Revenue is to consider applications in the order they are received. Applications may be filed from November 1 to December 31 of each year.

The bill is operative for tax years beginning or deemed to begin on or after January 1, 2020.

**Disposition at Sine Die:**

LB 272 remains in Committee.

**LB 310 (Vargas) Change procedures for tax credits under the Nebraska Job Creation and Mainstreet Revitalization Act**

**Introduced Version:**

The bill amends the Nebraska Job Creation and Mainstreet Revitalization Act (“the Historic Tax Credit”). It would require the Department of Revenue to determine the expenses eligible for the credit and the amount of the credit and issue the certificates for the credit within 60 days after referral of the application for final approval to the Department by the State Historic Preservation Officer. The Department and the officer may agree to extend this deadline for no more than an additional 30 days.

If the Department fails to comply with any of these provisions, the credit is deemed to have been issued in the amount requested, but may not exceed 110% of the amount of credits allocated by the officer. This shall not increase or decrease the total amount of credits allocated in any calendar year.

Under current law, a denial of a request for final approval by the Department may be appealed under the Administrative Procedures Act. The bill would allow an appeal of any determination of eligible expenses or any calculation of the amount of the credit by the Department.

Currently, the total amount of credits that may be allocated by the officer in any calendar year is limited to \$15 million, of which \$4 million is to be reserved for applications seeking an allocation of credits of less than \$100,000.

The amount of the credit is equal to 20% of eligible expenditures up to a maximum credit of \$1 million per application and is nonrefundable.

**Committee Amendment:** AM 739 – pending

AM739 to LB310 adds a fee of .275% that will be paid by the developer. The fee is to offset the credit amount allowed under LB310. This should eliminate the Fiscal Note on the Green Copy of the Bill.

**Disposition at Sine Die:**

LB 310 advanced to General File as amended. LB 310 remains on General File.

## **LB 357 (Walz) Adopt the Direct Support Professional Tax Credit Act**

**Introduced Version:**

The bill creates the Direct Support Professional Tax Credit Act. A direct support professional is defined as an individual who:

- Is employed by:
  - An organization that provides services to persons with developmental disabilities pursuant to a Medicaid home and community-based services waiver; or
  - A non-state-operated intermediate care facility for persons with developmental disabilities; and

- Works directly with person with developmental disabilities.

The credit is in the amount of \$300 and is refundable. The individual's adjusted gross income may not exceed 400% of the federal poverty level for the most recently completed taxable year. The individual is also required to prove that they have worked for an eligible employer for an average of 20 hours per week for at least 6 consecutive months for the most recently completed taxable year.

The credit is capped at \$1.2 million per calendar year and the Department of Revenue may only accept applications during calendar years 2020 through 2024. The bill contains a claw back provision in the event of fraud and misrepresentation within 3 years from the end of the year in which the credit was claimed.

**Disposition at Sine Die:**

LB 357 remains in Committee.

**LB 413 (Brandt) Change application submission deadlines under the Nebraska Advantage Act**

**Introduced Version:**

LB413 proposes to terminate the Nebraska Advantage Act on December 31, 2019. All complete project applications filed on or before December 31, 2019 shall be considered and approved if the project and taxpayer qualify for benefits. Project agreements pending, approved, or entered into before December 31, 2019 shall continue in full force and effect.

**Disposition at Sine Die:**

LB 413 remains in Committee.

**LB 417 (Friesen) Change application deadlines under certain tax incentive programs**

**Introduced Version:**

LB417 proposes to

- Terminate the New Markets Job Growth Investment Act on the effective date of this Act.
- Terminate the Nebraska Advantage Rural Development Act on December 31, 2019.
- Terminate the Nebraska Job Creation and Mainstreet Revitalization Act after the effective date of this Act.
- Terminate the Beginning Farmer Tax Credit Act after the effective date of this Act.
- Terminate the Nebraska Advantage Act on December 31, 2019.



The bill has the Emergency Clause.

**Disposition at Sine Die:**

LB 417 remains in Committee.

**LB 419 (Bolz) Change the Nebraska Advantage Act and create a fund and grant program**

**Introduced Version:**

LB419 proposes to revise the eligibility criteria for employers to receive benefits under the Nebraska Advantage Act. Employees must be offered employer-provided health care benefits. Employees must be paid wages equal to at least 130% of the Nebraska average weekly wage for the year of the application.

This bill places a cap of the amount of credits available in a calendar year to \$60 million. The Tax Commissioner may continue to approve Nebraska Advantage applications after the limit is reached; however, the applications shall not include any credits as part of the allowed incentives.

LB419 would extend the date for applying for the Nebraska Advantage Act to December 31, 2026. The Nebraska Advantage Act is currently set to expire on December 31, 2020.

The definitions for average annual wage, the average wage of new employees, and the Nebraska average annual wage are repealed.

Any taxpayer qualified for a Tier 1, Tier 2, Tier 3, or Tier 4 project is entitled to a credit equal to a percentage based on the average wage of new employees and the number of new employees:

- 3% if the average wage of the new employees is at least 130% of the Nebraska average weekly wage for the year of the application.
- 4% if the average wage of the new employees is at least 145% of the Nebraska average weekly wage.
- 5% if the average wage of the new employees is at least 170% of the Nebraska average annual wage.
- 6% if the average wage of the new employees is at least 195% of the Nebraska average weekly wage.

Credits may be fully utilized except credits may not be carried over more than 4 years after the year in which the credit was earned. Currently credits for a Tier 1 or Tier 3 project may be carried over 9 years after the year of application; 14 years for a Tier 2 or Tier 4 project; or more than 16 years past the end of the entitlement period for a Tier 6 project.

The bill creates the Nebraska Advantage Deal-Closing Fund (Fund). The Fund will terminate on December 31, 2026. Intent language in the bill requires an appropriation of \$40 million each fiscal year. The Fund will be administered by the Department of Economic Development (DED). DED will retain .5% of all grants for administrative expenses to carry out the grant program.

Monies in the fund will be used to provide grants to taxpayers who have a signed agreement under the Nebraska Advantage Act and have met the required levels of employment and investment to qualify for incentives. The Department of Revenue will notify DED of each taxpayer that has met the requirements noted above.

Grants may be used for the following:

- Site and building development
- Customized job-training
- Capital investments related to the project

DED will determine the amount of each grant based on available funding and the likelihood the grant will lead to increased job creation and investment in the state.

The changes made by LB419 applies to all applications filed or after the effective date of this Act. All applications filed prior to the effective date of this Act will be governed by the provisions of the Nebraska Advantage Act as it existed immediately prior to such date.

**Disposition at Sine Die:**

LB 419 remains in Committee.

**LB 437 (Linehan) Change application deadlines under the Nebraska Advantage Act**

**Introduced Version:**

The bill is a placeholder with respect to the Nebraska Advantage Act.

**Disposition at Sine Die:**

LB 437 remains in Committee.

**LB 535 (Cavanaugh) Prohibit employment discrimination by qualified businesses under the Nebraska Advantage Act**

**Introduced Version:**

LB535 proposes to require any company participating in the Nebraska Advantage Act to not discriminate against any employee or applicant for employment because of race,

color, religion, sex, disability, marital status, national origin, sexual orientation, or gender identify.

The non-discrimination clause will apply to all applications filed or after the effective date of this act. Applications filed prior to the effective date of this act will be governed by the provisions of the Nebraska Advantage Act as it existed immediately prior to such date.

**Disposition at Sine Die:**

LB 535 remains in Committee.

**LB 542 (Lowe) Adopt the Firearm Safety Act and provide a tax credit**

**Introduced Version:**

LB542 proposes to create the Firearm Safety Act (Act). Beginning on or after January 1, 2020, the bill provides a \$100 nonrefundable tax credit to an eligible taxpayer who successfully completes an approved firearm safety course. Any unused credit may be carried forward. Only one credit is available to an eligible taxpayer every 5 years.

An eligible taxpayer is defined as an individual taxpayer who:

- Is at least eighteen years old
- Can lawfully purchase, own, and possess a firearm under local, state, and federal law;
- Has not been convicted of a felony under the laws of this state or under the laws of any other jurisdiction;
- Has not been convicted of a misdemeanor crime of violence under the laws of this state or under the laws of any other jurisdiction within 10 years immediately preceding the date on which the taxpayer filed his or her income tax return
- Has not been found in the 10 years immediately preceding the date on which the taxpayer filed his or her income tax return to be a mentally ill and dangerous person under the Nebraska Mental Health Commitment Act or a similar law of another jurisdiction
- Is not, at the time of filing his or her income tax return, adjudged to be mentally incompetent
- Has not been convicted of a violation of any law of this state relating to firearms, unlawful use of a weapon, or controlled substances or of any similar laws of another jurisdiction within the 10 years immediately preceding the date on which the taxpayer filed his or her income tax return
- Is not, at the time of filing his or her income tax return, on parole, probation, post-release supervision, house arrest, or work release.

The definition of an eligible taxpayer does not apply to any conviction under Chapter 37 or under any similar law of another jurisdiction, except for a conviction under section 37-509, 37-513, or 37-522 or under any similar law of another jurisdiction.

The Nebraska State Patrol (NSP) is responsible for preparing and publishing minimum training and safety requirements for approved firearm safety courses and instructors. NSP shall adopt rules and regulations to carry out the provisions of the Act.

The minimum safety and training requirements for an approved firearm safety course are listed below.

- Knowledge and safe handling of a firearm and ammunition, including how to properly and safely clean a firearm and clear a malfunction in a loaded firearm
- Safe firearm shooting fundamentals
- A demonstration of competency with a firearm with respect to the minimum safety and training requirements
- Knowledge of federal, state, and local laws pertaining to the purchase, ownership, transportation, and possession of firearms
- Knowledge of federal, state, and local laws pertaining to the use of a firearm, including, but not limited to, use of a firearm for self-defense and laws relating to justifiable homicide and the various degrees of assault
- Knowledge of ways to avoid a criminal attack and to defuse or control a violent confrontation
- Knowledge of proper storage practices for firearms and ammunition, including storage practices which would reduce the possibility of theft and accidental injury to a child
- Information on how to contact mental health resources

A person or entity seeking to conduct an approved firearm safety course and the course instructors shall be approved by the NSP before operation. The NSP will issue a certificate of approval.

A certificate of completion of an approved firearm safety course shall be issued by the person or entity conducting the course to persons successfully completing the course. The certificate of completion shall include certification from the instructor that the person completing the course does not suffer from a readily discernible physical infirmity that prevents the person from safely handling a firearm.

Completion of a course taken under the Act shall not be considered completion of a handgun training and safety course approved by the Nebraska State Patrol pursuant to section 69-2432.

**Disposition at Sine Die:**

LB 542 remains in Committee.

**LB 560 (Geist) Change provisions relating to tax credits under the Beginning Farmer Tax Credit Act**

**Introduced Version:**

LB560 proposes to address issues stated in a recent Performance Audit Committee on the Beginning Farmer Tax Credit Act.

The bill will limit a qualified beginning farmer or livestock producer to participate as a qualified beginning farmer or livestock producer in one 3-year rental agreement with an owner of agricultural assets. The limit on participation would not apply if the rental agreement is terminated prior to the end of the 3-year period through no fault of the qualified beginning farmer or livestock producer.

A qualified beginning farmer or livestock producer who is participating or has participated in a board approved and certified 3-year rental agreement shall not be eligible to file a subsequent application with the board. The qualified beginning farmer or livestock producer may refer to the board for additional support and participate in programs established or recommended by the board that are applicable to the continued success of such farmer or livestock producer.

A qualified beginning farmer or livestock producer in the first, second, or third year of a qualifying 3-year rental agreement shall be allowed a one-time refundable credit for the cost of participation in the financial management program required for eligibility under the Beginning Farmer Tax Credit Act. The amount of the credit shall be the actual cost of participation in an approved program incurred during the tax year for which the credit is claimed, up to a maximum of \$500 hundred dollars.

Except as otherwise disallowed under subsection (5) of this section, an owner of agricultural assets shall be allowed a refundable credit to state income tax liability of such owner for agricultural assets rented on a rental agreement basis. This includes cash rent of agricultural assets or cash equivalent of a share-rent rental, to qualified beginning farmers or livestock producers. Such asset shall be rented at prevailing community rates as determined by the board.

A credit may be granted to an owner of agricultural assets for renting agricultural assets, including cash rent of agricultural assets or cash equivalent of a share-rent agreement, to any qualified beginning farmer or livestock producer for a period of 3 years.

An owner of agricultural assets shall not be eligible for further credits under the Beginning Farmer Tax Credit Act and shall not be eligible for further participation with a qualified beginning farmer or livestock producer unless the rental agreement is

terminated prior to the end of the 3-year period through no fault of the owner of agricultural assets.

**Committee Amendment:** AM 1414 – adopted

The amendment becomes the bill. It replaces LB560 with the provisions of LB623. Both bills addressed changes to the Beginning Farmer Tax Credit Act.

The amendment adds a definition of a cash rent agreement and clarifies that the credits issued are refundable. Qualified participants in an approved three-year rental agreement would be eligible to file subsequent applications for different assets.

**Disposition at Sine Die:**

LB 560 was advanced to General File. LB 560 passed on Final Reading, 46-0-3. LB 560 was approved by the Governor on May 17, 2019.

## **LB 605 (Lindstrom) Adopt the Renewable Chemical Production Tax Credit Act**

**Introduced Version:**

LB605 proposes to create the Renewable Chemical Production Tax Credit Act (Act). The Department of Economic Development (DED) will be responsible for managing the application, certification and agreement with an eligible business.

A business may apply to DED for certification as an eligible business. Within 30 days after receiving a program certification application, DED shall certify the business as satisfying the conditions required of an eligible business, request additional information, or deny the program certification application.

If additional information is requested, DED shall certify the business or deny the program certification application within 30 days after receiving the additional information. If the director neither certifies the business nor denies the program certification application within 30 days after receiving the original program certification application or within 30 days after receiving the additional information requested, whichever is later, the program certification application is deemed approved if the business meets the requirements in subsection (3) of this section. A business that applies for program certification and is denied may reapply.

To be certified as an eligible business under the Act, a business shall meet all of the following requirements:

- The business produced at least 1 million pounds of renewable chemicals in this state during the calendar year for which tax credits are sought
- The business is physically located in this state
- The business organized, expanded, or located in this state on or after the effective date of this Act

- The business is in compliance with all agreements entered into under the Act or may establish, by rule and regulation, an annual any other tax credits or programs administered by DED or the Department of Revenue.

An eligible business shall enter into an agreement with DED for the successful completion of all requirements of the Act. The agreement may certify the business to receive tax credits under the act for up to 4 years.

As part of the agreement, the eligible business shall agree to collect and provide any information reasonably required by DED or the Department of Revenue in order to allow DED and department to fulfill their reporting obligations under this Act.

DED shall consider program certification applications under this Act in the order in which they are received. DED may accept program certification applications on a continuous basis or may establish, by rule and regulation, an annual program certification application deadline. The director may approve program certification applications for eligible businesses for a total of up to \$3 million dollars in tax credits for calendar years 2021 and 2022 and up to \$6 million dollars in tax credits per calendar year for calendar years 2023 and beyond. Program certification applications approved after such annual limit has been reached shall be placed on a wait list in the order in which they are received.

An eligible business may apply to the Department of Revenue for a refundable tax credit under the Act. The tax credit under the Act shall be in an amount equal to the product of 7.5 cents multiplied by the number of pounds of renewable chemicals produced in this state by the eligible business during each calendar year in excess of the eligible business's pre-eligibility production threshold. The maximum amount of tax credits that may be issued to an eligible business under a single tax credit application shall not exceed \$1.5 million per year.

To receive tax credits, the eligible business shall submit a tax credit application to the Department of Revenue on a form prescribed by the department. The tax credit application shall include the following information:

- The number of pounds of renewable chemicals produced in the state by the eligible business during the calendar year for which tax credits are sought
- Any other information reasonably required by the department in order to establish and verify the amount of credits earned under the Act.

If an agreement is not successfully fulfilled, DED may decline to enter into a subsequent agreement and the Department of Revenue may decline to issue a tax credit.

If DED determines that a tax credit application is complete, that an eligible business qualifies for tax credits, and that the eligible business has fulfilled all requirements of its agreement with DED, the tax credit application shall be approved the within the limits of this Act. DED shall certify the amount of tax credits approved to the eligible business.

An eligible business shall claim the tax credit by attaching the tax credit certification received from the DED under this Act to the business' tax return for the tax year in which the credit was approved.

An eligible business shall not receive a tax credit for renewable chemicals produced before the date the business first qualified as an eligible business. The tax credit shall not be available for any renewable chemicals produced before the 2021 calendar year. Any tax credit allowable to a partnership, an LLC, subchapter S corporation, or an estate or trust may be distributed to the partners, LLC members, shareholders, or beneficiaries in the same manner as income is distributed.

The failure by an eligible business in fulfilling any requirement of the Act or any of the terms and obligations of an agreement entered into pursuant to this Act may result in the reduction, termination, or rescission of the tax credits. The eligible business may be subject to the repayment or recapture of tax credits claimed.

On or before January 31, 2022, and on or before each January 31 thereafter, DED and the Department of Revenue shall electronically submit a report on the Act to the Revenue Committee of the Legislature. The report shall include the following information regarding tax credits and the recipients of such credits:

- The aggregate number of pounds, and a list of each type, of renewable chemicals produced in Nebraska by all recipients during the calendar year prior to the calendar year for which each recipient first received tax credits and for each calendar year thereafter
- The aggregate sales of all renewable chemicals produced by all recipients in each calendar year for which there are at least 5 recipients
- The aggregate number of pounds, and a list of each type, of biomass feedstock used in the production of renewable chemicals in Nebraska by all recipients during the calendar year prior to the calendar year for which each recipient first received tax credits and for each calendar year thereafter
- The number of employees located in Nebraska of all recipients during the calendar year prior to the calendar year for which each recipient first received tax credits and for each calendar year thereafter
- The number and aggregate amount of tax credits issued for each calendar year
- The number of eligible businesses placed on the wait list for each calendar year and the total number of eligible businesses remaining on the wait list at the end of that calendar year
- The dollar amount of tax credit claims placed on the wait list for each calendar year and the total dollar amount of tax credit claims remaining on the wait list at the end of that calendar year



- For each eligible business which received tax credits during each calendar year: The identity of the eligible business; the amount of the tax credits; and the manner in which the eligible business first qualified as an eligible business and the total amount of all tax credits claimed during each calendar year, and the portion issued as refunds.

DED and Department of Revenue may adopt and promulgate rules and regulations necessary to carry out the Renewable Chemical Production Tax Credit Act.

**Disposition at Sine Die:**

LB 605 was amended into LB 720. LB 720 was advanced to General File as amended. LB 720 advanced to Select File. LB 720 failed to move to Final Reading and remains on Select File.

**LB 613 (Crawford) Change application deadlines under certain tax incentive programs**

**Introduced Version:**

LB613 proposes to

- Terminate the New Markets Job Growth Investment Act on July 1, 2019.
- Terminate the Nebraska Job Creation and Mainstreet Revitalization Act on July 1, 2019.
- Terminate the Beginning Farmer Tax Credit Act on July 1, 2019.

Intent language is included in this bill that the \$30 million saved by terminating the programs noted above be used to increase the appropriation to the Site and Building Development Fund. The increased appropriation will be for fiscal year 2019-20 and each fiscal year thereafter.

**Disposition at Sine Die:**

LB 613 remains in Committee.

**LB 623 (Williams) Change provisions relating to qualifications under the Beginning Farmer Tax Credit Act**

**Introduced Version:**

LB623 proposes to make changes to the Beginning Farmer Tax Credit Act (Act) to reflect in statute the current practice under the Beginning Farmer program. The bill defines a cash rent agreement to be a rental agreement in which the principal consideration given to the owner of agricultural assets is a predetermined amount of money. A flex or variable rent agreement is defined as an alternative form of a cash rent agreement in which a predetermined base rent is adjusted for actual crop yield, crop price, or both according to a predetermined formula.

The bill will allow a qualified beginning farmer or livestock producer who has participated in a board approved and certified 3-year rental agreement with an owner of agricultural assets shall be eligible to file subsequent applications for different assets. Except as allowed pursuant to subsection (3) of section 77-5211, tax credits for an agricultural asset may be issued for a maximum of 3 years.

LB623 clarifies a qualified beginning farmer or livestock producer in the first, second, or third year of a qualifying 3-year rental agreement shall be allowed a one-time refundable credit. The amount of the credit shall be the actual cost of participation in an approved program incurred during the tax year for which the credit is claimed, up to a maximum of \$500 hundred dollars.

Clarification language is included to allow an owner of agricultural assets who has participated in a board approved and certified 3-year rental agreement with a beginning farmer or livestock producer to be eligible to file subsequent applications for different assets. Except as allowed pursuant to subsection (3) of section 77-5211, tax credits for an agricultural asset may be issued for a maximum of 3 years.

The Beginning Farmer Board shall not approve and certify credit for an owner of agricultural assets who has, with fault, terminated a prior board approved and certified rental agreement with a qualified beginning farmer or livestock producer or if the agricultural assets have previously been approved in a qualifying rental agreement.

**Disposition at Sine Die:**

LB 623 was amended into LB 560. LB 560 passed on Final Reading, 46-0-3. LB 560 was approved by the Governor on May 17, 2019.

**LB 628 (Pansing Brooks) Increase the earned income tax credit**

**Introduced Version:**

The bill would increase the amount of the Nebraska Earned Income Tax Credit. Currently, taxpayers whose AGI is less than \$29,000 receive a refundable Nebraska credit equal to 10 percent of the federal credit. The bill would increase the percentage amount of the credit in phases over three years:

Tax Year 2020 – Credit = 13 percent

Tax Year 2021 – Credit = 17 percent

Tax Year 2022 – Credit = 20 percent

**Disposition at Sine Die:**

LB 628 remains in Committee.

## **LB 670 (Linehan) Adopt the Opportunity Scholarships Act and provide tax credits**

### **Introduced Version:**

LB670 proposes the Opportunity Scholarships Act (Act). A section-by-section summary of the Act is shown below.

**Section 1** introduces the Act.

**Section 2** provides the intent language for the Act.

**Section 3** is the definitions section of the Act.

**Section 4** provides the requirements for organization to become qualified as a scholarship granting organization. An organization must apply and be certified by the Department of Revenue (Department). The Department may revoke the certification if the scholarship granting organization fails to fulfill the requirements listed below or the requirements of section 10 of this Act.

Required information to become certified as a scholarship granting organization is:

- The applicant is exempt from federal tax under section 501(c)(3) of the Internal Revenue Code of 1986 as amended.
- The applicant will offer one or more education scholarship programs for eligible students.
- The applicant will be able to comply with the requirements of Section 10 of this Act.
- The applicant will provide education scholarships for eligible students without limiting education scholarship availability to only one qualified school.
- The applicant will give first priority to:
  - Eligible students who received an education scholarship from an eligible scholarship granting organization during the previous school year; and
  - New applicants whose household income levels do not exceed 185% of the federal poverty level or who are in foster care or out-of-home care.

**Section 5** refers to the individual taxpayer making contributions to one or more scholarship granting organizations. An individual taxpayer who makes one or more cash contributions to one or more scholarship granting organizations shall be eligible for a nonrefundable tax credit. Taxpayers who are married by file separate returns may each claim one-half of the tax credit that would have been allowed for a joint return.

The tax credit is subject to section 9 of this Act. Unused credits may be carried forward for the next 5 years. The taxpayer may not designate all or any part of the contribution to be used for the benefit of any eligible student specifically identified by the taxpayer.

The amount of the credit will be the lesser of:

- The total amount of such contributions made during the tax year; or
- 50% of the income tax liability of such taxpayer for the tax year.

The taxpayer may only claim a credit for the portion of the contribution that was not claimed as a charitable contribution under the Internal Revenue Code.

**Section 6** refers to partnerships, LLC's or Subchapter S corporations. Any partnership, LLC, or Subchapter S corporation that carries on any trade or business for which deductions allowed under Section 162 of the IRC or is carrying on any rental activity and makes one or more cash contributions to one or more scholarship granting organizations shall be eligible for a nonrefundable tax credit.

The tax credit is subject to section 9 of this Act. Unused credits may be carried forward for the next 5 years. The taxpayer may not designate all or any part of the contribution to be used for the benefit of any eligible student specifically identified by the taxpayer.

The amount of the credit will be the lesser of:

- The total amount of such contributions made during the tax year; or
- 50% of the income tax liability of such taxpayer for the tax year.

The taxpayer may only claim a credit for the portion of the contribution that was not claimed as a charitable contribution under the Internal Revenue Code. The credit will be attributed to each partner, member, or shareholder in the same proportion used to report income or loss for income tax purposes.

**Section 7** refers to estates and trusts. An estate or trust that makes one or more cash contributions to one or more scholarship granting organizations shall be eligible for a nonrefundable tax credit.

The tax credit is subject to section 9 of this Act. Unused credits may be carried forward for the next 5 years. The taxpayer may not designate all or any part of the contribution to be used for the benefit of any eligible student specifically identified by the taxpayer.

The amount of the credit will be the lesser of:

- The total amount of such contributions made during the tax year; or
- 50% of the income tax liability of such taxpayer for the tax year.

The taxpayer may only claim a credit for the portion of the contribution that was not claimed as a charitable contribution under the Internal Revenue Code.

**Section 8** refers to corporations. A corporate taxpayer that makes one or more cash contributions to one or more scholarship granting organizations shall be eligible for a nonrefundable tax credit.

The tax credit is subject to section 9 of this Act. Unused credits may be carried forward for the next 5 years. The taxpayer may not designate all or any part of the contribution to be used for the benefit of any eligible student specifically identified by the taxpayer.

The amount of the credit will be the lesser of:

- The total amount of such contributions made during the tax year; or
- 50% of the income tax liability of such taxpayer for the tax year.

The taxpayer may only claim a credit for the portion of the contribution that was not claimed as a charitable contribution under the Internal Revenue Code.

**Section 9** provides details on the tax credit. A taxpayer wishing to claim a tax credit under the Act shall notify the scholarship-granting organization of the taxpayer's intent to make a contribution and the amount to be claimed as a tax credit. The scholarship-granting organization shall notify the Department of the intended tax credit amount.

The department shall notify the scholarship-granting organization of its determination within thirty days after receipt of the notification. Once credits have reached the designated annual limit for any calendar year, no additional credits shall be allowed for such calendar year.

If an amount less than the amount indicated in the notification is available for a tax credit, the department shall notify the scholarship-granting organization of the available amount. The scholarship-granting organization shall notify the taxpayer of the available amount within 3 business days. If the intended tax credit amount in the notification is not available, the scholarship-granting organization shall then promptly notify the taxpayer. The department shall consider notifications regarding intended tax credit amounts in the order in which they are received to ascertain whether the intended tax credit amounts are within the annual limit provided in this subsection.

To be allowed a tax credit as provided by the Act, the taxpayer shall make its contribution between 31 and 60 days after notifying the scholarship-granting organization of the taxpayer's intent to make a contribution. The taxpayer will be given a receipt showing the name and address of the scholarship-granting organization, the date the scholarship-granting organization was certified by the department in accordance with section 4 of this act, the name, address, and, if available, tax identification number of the taxpayer making the contribution, the amount of the contribution, and the date the contribution was received.

If the contribution is not received within the required time period, it shall notify the department. The department shall no longer include such amount when calculating whether the limit has been exceeded.

The amount of the tax credit is capped at \$10 million for calendar year 2020. The amount for calendar year 2021 and thereafter will be calculated by taking the annual limit from the prior calendar year and then multiplying such amount by:

- 125% if the intended tax credit amounts in the prior calendar year exceeded 90% of the annual limit applicable to that calendar year; or
- 100% if the intended tax credit amounts in the prior calendar year did not exceed 90% of the annual limit applicable to that calendar year.

The Department of Education and the Department of Revenue shall publish on their respective web sites information identifying the annual limit when it is increased pursuant to subsection (3) of this section.

**Section 10** provides the requirements for a scholarship granting organization to remain certified. To remain certified as a scholarship granting organization, the organization is required to allocate its revenue as shown below. Revenue is allocated when it is expended or otherwise irrevocably encumbered for expenditure.

- If the annual limit on tax credits is less than \$20 million, at least 90% of its revenue will be for education scholarships and no more than 10% for administrative costs; or
- If the annual limit on tax credits is \$20 million or more, 95% of its revenue will be for education scholarships and no more than 10% for administrative costs.

The percentage of funds allocated for education scholarships will be measured as a monthly average for the most recent 24 month period. A scholarship granting organization certified for less than 24 months will use the period of time the organization has been certified.

**Section 11** provides for an annual audit. Each scholarship granting organization is required to have an annual audit. The audit must be conducted by an independent public accountant. The audit is due no later than December 1 and is to be filed with the department. The department will electronically forward a copy of the audit to the Governor and Legislature no later than December 31 of each year.

The audit shall include a summary description of its policies and procedures for awarding education scholarships, the number of eligible students receiving education scholarships in the most recent fiscal year, the total amount of contributions received for education scholarships in the most recent fiscal year, and the total amount of education scholarships awarded in the most recent fiscal year.

**Section 12** indicates the Act shall not be construed as granting any expanded or additional authority to the State of Nebraska to control or influence the governance or policies of any qualified school that admits and enrolls students who receive education scholarships. It does not expand or add additional authority to require any such qualified

school to admit or, once admitted, to continue the enrollment of any student receiving an education scholarship.

**Section 13** gives the department the authority to adopt and promulgate rules and regulations to carry out the Act.

**Section 14, Section 15, and Section 16** adds the tax credit under the Act to the sections of statute on nonrefundable tax credits.

**Section 17** is the operative date of the Act. The Act becomes operative for all taxable years on or after January 1, 2020.

**Section 18** is the Severability clause.

**Section 19** is the repealer section.

**Committee Amendment:** AM 1112 – pending

The amendment adds two additional requirements to become certified as a scholarship granting organization. The new requirements are:

- That the organization will limit the maximum scholarship amount awarded to any student to the cost of tuition and fees at the qualified school of attendance; and
- That the average of the scholarship amount awarded per student does not exceed 75% of the statewide average expenditures per formula student as defined in section 79-1003.

**Disposition at Sine Die:**

LB 670 advanced to General File as amended. LB 670 remains on General File.

**LB 720 (Kolterman) Adopt the ImagiNE Nebraska Act, Renewable Chemical Production Tax Credit Act, Customized Job Training Act, and Community Economic Opportunities Act and provide tax incentives**

**Introduced Version:**

The bill creates the ImagiNE Nebraska Act to replace the Nebraska Advantage Act.

Timing - Applications for Nebraska Advantage would no longer be allowed after the effective date of the bill, which contains the Emergency Clause. Application for the new programs would be allowed after the effective date.

Administration - The bill transfers the overall administration of the program from the Department of Revenue to the Department of Economic Development. Revenue would still have the authority to audit taxpayers under the program and would be responsible for recapture of credits and refunds if necessary.

Qualified Businesses – The new program changes the industries that may qualify for incentives and in some cases specifies the “NAICS” code (North American Industry Classification System) needed to qualify. Qualified businesses include:

- Manufacturing;
- Testing laboratories;
- Administrative management/Headquarter facilities;
- Logistics facilities;
- Research, development, or testing for scientific, agricultural, animal husbandry, food product, industrial, or technology purposes;
- Data processing, insurance, transportation or financial services;
- Telecommunications services;
- Operating a data center;
- Production of electricity using renewable energy sources;
- Performance of information technology services; and
- Retail (if 75% of the revenue is derived from sales to customers in other states).

Non-qualified businesses include:

- Agricultural, forestry, fishing and hunting;
- Mining, quarrying and oil and gas extraction;
- Utilities (other than as authorized);
- Construction;
- Retail trade (other than as authorized);
- Real estate and rental and leasing;
- Professional, scientific, and technical services (other than as authorized);
- Health care and social assistance;
- Arts, entertainment and recreation;
- Accommodation and food services;
- Other services not already specified; and
- Public administration.



New Employees – Incentives under the new program increase with the level of wages paid. Wages paid are compared to either the average hourly wage in Nebraska excluding the three largest counties or including the three largest counties. Taxpayers must pay wages at or above 100% of the two standards.

#### Project Phases

- a) Application. Taxpayers must file an application showing they will make new investment and create new employment as required. An application is deemed “complete” if the requirements laid out in the bill are all included. The director of the Department of Economic Development must approve or disapprove a complete application within 90 days.
- b) Agreement. The director must prepare and deliver an agreement to the taxpayer within 90 days of approving an application. Agreements are for a period of 15 years.
- c) Precertification. A taxpayer may request that the director certify that it is operating a qualified business at a qualified location. The director must complete the review within 90 days of the request. A taxpayer may request that the Tax Commissioner certify base year employment and wage levels. The review must be completed within 180 days of the request. Once these certifications are made, they are binding on the Department of Revenue when the taxpayer claims the incentives, so long as the taxpayer has complied with the terms its agreement.
- d) Ramp-up Period. This runs for 4 years after the year of application. The taxpayer must attain its investment and job creation level during this period. Also, taxpayers may begin filing direct refund claims for sales and use tax paid on qualified property during this period.
- e) Performance Period. This is the year during which the required levels of investment and employment are attained and continues until the end of the 6<sup>th</sup> year after the year of attainment. During this period, the taxpayer is exempt from paying sales and use tax on purchases of qualified property.
- f) Carryover Period. This runs for 3 years after the end of the Performance Period. Taxpayers are no longer allowed to earn credits but may continue to use credits earned.

Revolving Loan Fund – Taxpayers with an application under the new program may obtain loans from this new fund for:

- Workforce Training – Taxpayers may partner with postsecondary educational institutions in Nebraska, nonprofit educational organizations, or a school district in providing workforce training; and
- Infrastructure Development.

The bill requires a transfer of \$5 million to this fund no later than July 15, 2019 and another transfer no later than July 15, 2020. The fund may also receive money from appropriations, grants, private contributions, repayment of loans and all other sources. Loans may be repaid using credits earned under the new program.

### Incentives

- Taxpayers may receive refunds for sales and use tax paid on purchases of qualified property at a qualified location during the ramp-up phase;
- Taxpayers are exempt from such sales and use taxes during the performance period;
- They may earn and use investment credits against income tax liability, sales and use tax liability on purchases of other than qualified property, or to repay loans;
- They may earn and use employment credits against withholding taxes;
- Certain taxpayers may receive a property tax exemption for personal property acquired after the application date and used at a qualified location;
- Certain taxpayers may receive reimbursement from the state for real property taxes paid on a qualified location; and
- Credits may be used to obtain a payment from the state that is equal to the amount spent by the taxpayer for Job Training and Talent Recruitment.

City Sales Tax – Refunds of local sales taxes in excess of \$25,000 filed by June 15 shall be made on or after November 15 of the same year. Refunds filed on or after June 16 shall not be made until on or after November 15 of the following year. Existing statutes that delay payment of other local sales tax refunds are incorporated into the bill.

Taxpayers under the Employment and Investment Growth Act (775), Nebraska Advantage Act and the ImagiNE Nebraska Act are required to annually provide each municipality with the maximum amount the taxpayer is eligible to receive in sales and use tax refunds for the previous year and the estimate of sales and use taxes such business intends to claim by June 30.

**Committee Amendment:** AM 1614 – adopted

### **Section 14-15:**

- Clarifies the data set to be used in determining the “Nebraska ninety-county average hourly wage” and the “Nebraska statewide average hourly wage” is the set calculated by the Office of Labor Market Information of the Department of Labor using annual data from the Quarterly Census of Employment and Wages;

### **Section 16:**

- Clarifies the different level of wages that must be paid under the different qualifying categories;

**Section 18:**

Adds and/or clarifies the following businesses in the definition of “qualified location”:

- Transportation includes both rail and truck
- Insurance services is changed to Insurance Carriers
- Telecommunications services are to include both wired and wireless carriers but exclude satellite
- Telemarketing Bureaus and Other Contact Centers
- Computer Facilities Management Services
- Warehousing and Storage;

**Sections 28-29:**

- Adds additional items to be included in the application
- Adds language that the applicant must acknowledge in the application and in the agreement that it does not violate any state or federal law against discrimination
- Adds a nonrefundable application fee of \$5,000
- Adds a requirement for notification to any municipality in which project locations exist of the approval of an application and execution of an agreement
- The Department of Revenue is required to notify municipalities within 30 days after a refund is allowed or approved;

**Section 32:**

- The amendment modifies one of the levels for qualification from 10 new employees and \$1,000,000 investment to 5 new employees and \$1,000,000
- Applicants under this modified level may also receive a 1% multiplier for the wage and investment credits if the project is located in an area that has been designated as “extremely blighted”
- Requires that applicants offer to full-time employees insurance coverage that complies with the Affordable Care Act
- The administrative fee required under this section may be offset by the application fee;

**Section 33:**

- Adds new language for the order of utilization of credits from existing programs and this new program
- Credits may also be used to obtain payment from the state for taxpayer-sponsored child care at the qualified location during the performance and carryover period;

**Section 34:**

- For purposes of recapture, the average wage and health coverage requirements are treated as a required level of employment for each year of the performance period;

**Section 40:**

- Creates a committee to review the most recently available data on refunds and credits used as well as estimates of refunds and credits to be used under the program. This is the same data that will be made available to the Legislative Fiscal Office and the Nebraska Economic Forecasting Advisory Board. The committee may also request additional information which it believes should be considered by the Appropriations Committee for state budgeting and appropriations. The committee members are:
  - The Speaker of the Legislature
  - The Chairs of the Revenue, Appropriations Performance Audit Committees
  - The Tax Commissioner and
  - The Director of the Department of Economic Development.

This is in addition to the Annual Report to the Revenue and Appropriations Committees;

**Sections 45-55:**

The provisions of LB605 (Lindstrom 2019) are incorporated to create the Renewable Chemical Production Tax Credit Act. The Department of Economic Development (DED) will be responsible for managing the application, certification and agreement with an eligible business.

Requirements include:

- The business produced at least 1 million pounds of renewable chemicals in this state during the calendar year for which tax credits are sought
- The business is physically located in this state and
- The business organized, expanded, or located in this state on or after the effective date of this Act
- The agreement may certify the business to receive tax credits under the act for up to 4 years
- Within 30 days after receiving a program certification application, DED shall certify the business as satisfying the conditions required of an eligible business, request additional information, or deny the program certification application
- The director may approve program certification applications for a total of up to \$3 million dollars in tax credits for calendar years 2021 and 2022 and up to \$6 million dollars in tax credits for calendar years 2023 and beyond

- Program certification applications approved after such annual limit has been reached shall be placed on a wait list in the order in which they are received
- The credits are refundable
- The maximum amount of tax credits that may be issued to an eligible business under a single tax credit application shall not exceed \$1.5 million per year
- An eligible business may be subject to the repayment or recapture of tax credits claimed.

**Section 68:**

- Municipalities are required to keep all sales and use tax information received confidential unless previously disclosed by the taxpayer or the state
- Funds held by municipalities to make refunds of sales and use taxes under this program or prior incentive programs shall not count toward any budgeted restricted funds limitation as provided in section 13-519 or toward any cash reserve limitation as provided in section 13-504.

**Disposition at Sine Die:**

LB 720 was advanced to General File as amended. LB 720 advanced to Select File. LB 720 failed to move to Final Reading and remains on Select File.

**LB 724 (Vargas) Provide requirements for boards of directors in order to qualify for incentives under the Nebraska Advantage Act**

**Introduced Version:**

The bill adds an additional requirement to earn incentives under the Nebraska Advantage Act. For any public corporation with a board of directors, the board must be comprised of at least one-half female directors. If the taxpayer fails to maintain this requirement at any time during the entitlement period (when credits are earned), the taxpayer will be deemed to be in recapture pursuant to Neb.Rev.Stat. §77-5727.

Applicants must include this information in their application and if they do not meet the requirement they must include a timeline showing the year the taxpayer expects to meet this requirement.

These provisions apply to applications filed after the effective date the bill. The Department of Revenue is also required to include this information in its annual report.

**Disposition at Sine Die:**

LB 724 remains in Committee.

## Miscellaneous

### **LB 4 (Stinner) Change mileage reimbursement and filing fees under the Tax Equalization and Review Commission Act**

#### **Introduced Version:**

LB4 would reimburse each of the 3 Tax Equalization and Review Commission (TERC) commissioners for daily travel from their residences to the State Office Building and to the location of hearings. The TERC offices are located in the State Office Building in Lincoln.

The bill proposes an increase in the filing fee for an appeal. The current filing fee for an appeal is \$25 per parcel. If an appeal consists of 4 parcels, the filing fee would be \$100. The proposed increases are on a graduated scale based on the taxable value of the parcel:

- \$40 if the taxable value of the parcel is less than \$250,000.
- \$50 if the taxable value of the parcel is at least \$250,000 but less than \$500,000
- \$60 if the taxable value of the parcel is at least \$500,000 but less than \$1 million.
- \$85 if the taxable value of the parcel is at least \$1 million.
- \$40 for any other appeal.

#### **Disposition at Sine Die:**

LB 4 was advanced to General File. LB 4 was placed on Final Reading. LB 4 remains on Final Reading.

### **LB 76 (Williams) Change provisions relating to the nameplate capacity tax**

#### **Introduced Version:**

LB76 adds an additional definition to nameplate capacity. Nameplate capacity shall be determined based on the facility's alternating current capacity.

The bill has an operative date of January 1, 2020.

#### **Disposition at Sine Die:**

LB 76 was advanced to General File. LB 76 remains on General File.

**LB 86 (Wayne) Change provisions for redevelopment plans for extremely blighted areas under the Community Development Law and change funding provisions under the Nebraska Affordable Housing Act Introduced Version:**

LB86 proposes two rates for the documentary stamp tax. Currently the documentary stamp tax is \$2.25 for each \$1,000 of value or fraction of a value. This bill would amend the \$2.25 for each \$1,000 of value or fraction of a value for the first \$1 million in value and adds a rate of \$3.25 for each \$1,000 of value or fraction thereof for any value in excess of \$1 million.

Fifty cents of the additional \$3.25 collected will be remitted to the register of deeds for the county general fund. The remaining \$2.75 shall be remitted to the State Treasurer and distributed as follows:

- \$1.95 to the Affordable Housing Trust Fund
- \$0.25 to the Site and Building Development Fund
- \$0.25 to the Homeless Shelter Assistance Trust Fund
- \$0.30 to the Behavioral Health Services Fund

New language is added to include a percentage of the Affordable Housing Trust Fund to projects in extremely blighted areas. The definition of extremely blighted is found in Section 18-2103.

“(3) Blighted area means an area (a) which, by reason of the presence of a substantial number of deteriorated or deteriorating structures, existence of defective or inadequate street layout, faulty lot layout in relation to size, adequacy, accessibility, or usefulness, insanitary or unsafe conditions, deterioration of site or other improvements, diversity of ownership, tax or special assessment delinquency exceeding the fair value of the land, defective or unusual conditions of title, improper subdivision or obsolete platting, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, substantially impairs or arrests the sound growth of the community, retards the provision of housing accommodations, or constitutes an economic or social liability and is detrimental to the public health, safety, morals, or welfare in its present condition and use and (b) in which there is at least one of the following conditions: (i) Unemployment in the designated area is at least one hundred twenty percent of the state or national average; (ii) the average age of the residential or commercial units in the area is at least forty years; (iii) more than half of the plotted and subdivided property in an area is unimproved land that has been within the city for forty years and has remained unimproved during that time; (iv) the per capita income of the area is lower than the average per capita income of the city or village in which the area is designated; or (v) the area has had either stable or decreasing population based on the last two decennial censuses. In no event shall a city of the metropolitan, primary, or first class designate more than thirty-five percent of the city as blighted, a city of the second class shall not designate an area larger than fifty percent of the city as blighted, and a village

shall not designate an area larger than one hundred percent of the village as blighted. A redevelopment project involving a formerly used defense site as authorized under section 18-2123.01 shall not count towards the percentage limitations contained in this subdivision;”

**Committee Amendment:** AM 792 – adopted

The amendment provides procedures to declare an area as extremely blighted. It also removes the increase in the documentary stamp tax.

**Disposition at Sine Die:**

LB 86 was advanced to General File. LB 86 was passed on Final Reading, 47-0-2. LB 86 was approved by the Governor on May 30, 2019.

**LB 97 (Wayne) Change provisions relating to highway funding**

**Introduced Version:**

LB97 is a reintroduction of LB1026 (2018). The bill proposes to authorize the Nebraska State Highway Commission, upon the recommendation of the Department of Transportation, to issue up to \$200,000,000 of bonds to use for purposes of the Build Nebraska Act. The interest rate shall be a fixed rate and cannot exceed 5%. No bonds can be issued after June 30, 2022 (except for refunding bonds) and the bonds must be paid off by July 1, 2039.

At least 25% of the bond proceeds shall be used for construction of the expressway system and federally designated high priority corridors.

The bill creates the Build Nebraska Bond Fund to receive the bond proceeds. The Highway Cash Fund may be pledged for repayment of the bonds and the repayment of the bonds may also be made from the State Highway Capital Improvement Fund.

The bill has the Emergency Clause.

**Disposition at Sine Die:**

LB 97 remains in Committee.

**LB 315 (Kolterman) Provide for an inheritance tax exemption and change certain inheritance tax proceedings**

**Introduced Version:**

LB315 proposes to exempt proceeds of life insurance receivable by a trustee from either an inter vivos trust or a testamentary trust from inheritance tax. The exemption applies to insurance under policies upon the life of the decedent. This exemption shall not apply if the decedent’s estate is the beneficiary of the trust.



The bill amends the procedure for determination in absence of probate estates by including an independent proceeding for the sole purpose of determining the estate tax may be instituted in the county court where the property that might be subject to tax is situated.

After the petition to initiate such an independent proceeding is filed, the county court shall order the petition set for hearing no less than 2 weeks or more than 4 weeks after the date the petition has been filed.

If a petition is filed to initiate an independent proceeding and the decedent was 55 years of age or older or resided in a medical institution, a notice of the filing of such the petition shall be provided to the Department of Health and Human Services. The notification will include decedent's social security number and, if the decedent was predeceased by a spouse, the name and social security number of such spouse.

A certificate of the providing of the notice to the department shall be filed in the independent proceeding by an attorney for the petitioner or, if there is no attorney, by the petitioner, prior to the entry of an order pursuant to this section.

*Note:*

An inter vivos trust also known as a living trust, is created for the purpose of estate planning while an individual is still living. It is drafted as either a revocable or irrevocable living trust. It allows the individual for whom the document was established to access assets such as cash, investments and real estate property named in the title of the trust while they are still alive. Inter vivos trusts bypass the probate process once the trust owner passes away.

A testamentary trust is created when an individual dies, and is detailed in their last will and testament. Because the establishment of a testamentary trust does not happen until death, it is by nature irrevocable. A testamentary trust does not protect an individual's assets from the probate process.

**Disposition at Sine Die:**

LB 315 was advanced to General File. LB 315 passed on Final Reading, 47-0-2. LB 315 was approved by the Governor on May 29, 2019.

**LB 338 (Wayne) Change calculation of gasoline tax and distribution of proceeds**

**Introduced Version:**

LB338 proposes to set the minimum average wholesale price of gasoline to be used to calculate the gas tax at \$2.44 beginning on and after July 1, 2019.

Any city of the metropolitan class shall use the funds received from the Highway Allocation Fund to improve streets within the city. The bill requires the city to give priority to unimproved streets which do not have the standard type of pavement.

The bill has an operative date of July 1, 2019.

LB338 has the Emergency Clause.

**Disposition at Sine Die:**

LB 338 remains in Committee.

**LB 393 (Groene) Increase the documentary stamp tax**

**Introduced Version:**

LB393 would increase the documentary stamp tax from \$2.25 for each \$1,000 of value to \$3.25 for each \$1,000 of value. From each \$3.25 of taxes collected, all current distribution of the funds remains the same (see below) with an additional distribution of \$1.00 to the Property Tax Credit Fund.

Current distribution of the documentary stamp tax:

- 50 cents retained by the register of deeds for the county general fund.
- Remaining \$1.75 is remitted to the State Treasurer for credit to the following funds:
  - 95 cents to the Affordable Housing Trust Fund
  - 25 cents to the Site and Building Development Fund
  - 25 cents to the Homeless Shelter Assistance Trust Fund
  - 30 cents to the Behavioral Health Services Fund

**Disposition at Sine Die:**

LB 393 remains in Committee.

**LB 440 (Walz) Increase a tax on aviation jet fuel**

**Introduced Version:**

LB440 proposes to raise the tax per gallon on aviation jet fuel from 3 cents per gallon to 10 cents per gallon.

The bill has an operative date of January 1, 2020.

**Disposition at Sine Die:**

LB 440 remains in Committee.

**LB 463 (Williams) Change provisions relating to treasurer's tax deeds and tax sale certificates**

**Introduced Version:**

LB463 will make changes for issuing treasurer's tax deeds and tax sale certificates. When generating the list of properties with delinquent taxes that may be sold at public auction, the county treasurer will be required to list the property as it is described on the tax list and include the parcel number of the property.

Service of notice of the application for a tax deed shall be done by one of the following processes:

- Personal or residence service on a person in actual possession or occupancy of the real property and on the person in whose name the title to the real property appears of record who can be found in this state.
- If the person in actual possession or occupancy of the real property cannot be served by personal or residence service, service shall be made by certified mail or designated delivery and sent to the address of the property.
- If the person in whose name the title to the real property appears of record cannot be found in this state or if such person cannot be served by personal or residence service, service of the notice shall be made upon such person by certified mail service or designated delivery service. The notice shall be sent to the name and address on the property tax statement.
- Certified mail or designated delivery service upon every encumbrancer of record found by the title search. The notice shall be sent to the encumbrancer's name and address appearing of records as shown in the encumbrance filed with the register of deeds.

The affidavit stating the title search was done by a registered abstractor and the notice of service shall be filed with a copy of the notice and a copy of the title search with the application for the tax deed.

If any person or encumbrancer entitled to notice who cannot, upon diligent inquiry, be found, the purchaser or his or her assignee shall publish the notice in a newspaper of general circulation in the county which has been designated by the county board in the year public is required.

The notice shall be published 3 consecutive weeks. The purchaser shall file proof of publication, affirming the notice was published, file an affidavit the title search was conducted by a registered abstractor, and a copy of the title search.

After 3 years and 9 months after the date of sale of any real estate for taxes or special assessments, the purchaser or assignee who holds a tax sale certificate may apply to the county treasurer for a tax deed for any real estate that has not been redeemed.

The county treasurer shall execute and deliver a deed of conveyance if he or she receives the following:

- The tax sale certificate;
- The issuance fee for the tax deed and the fee of the notary public or other officer acknowledging the tax deed;
- The affidavit proving service of notice, the copy of the notice, and the copy of the title search; and
- The affidavit of the publisher, manager, or other employee of the newspaper, the copy of the notice, the affidavit of the purchaser or assignee, and the copy of the title search.

Tax sale certificates sold and issued between January 1, 2010, and December 31, 2016, shall be governed by the laws and statutes that were in effect on December 31, 2009, with regard to all matters relating to tax deed proceedings, including noticing and application, and foreclosure proceedings.

**Disposition at Sine Die:**

LB 463 was advanced to General File. LB 463 passed on Final Reading, 47-0-2. LB 463 was approved by the Governor on March 27, 2019.

**LB 512 (Linehan) Change revenue and taxation provisions**

**Introduced Version:**

This is the Department of Revenue annual housekeeping bill which addresses multiple areas of tax law.

**Section 1 to 9 and 30** - Would repeal Neb.Rev.Stat. §66-739 and harmonize nine other sections within the motor fuels tax statutes to reflect this outright repeal. The statute currently requires separation of motor fuel tax auditing and collection from other parts of the Department. Motor fuel staff are funded through a cash fund as opposed to the General Fund. Repealing this statute would allow auditors and collections personnel to work on more than one tax program and create efficiencies within the Department.

**Section 10** – Current law requires county boards to publish a list of delinquent taxpayers and to forward the list to the Property Tax Administrator. The bill would require that the list be furnished to the Department electronically.

**Section 11** – Contingent fee contracts for state agencies require review by the Governor under Neb.Rev.Stat. §§73-203 or 73-204. Neb.Rev.Stat. §77-377.02 requires the Department to use contingent fee agreements with third parties for delinquent tax collection. The bill would allow the Department to enter into collection agreements again without approval by the Governor. These agreements are small and infrequent.

**Sections 12 and 13** – Removes redundant language regarding promulgation of rules and regulations by the Property Tax Administrator. Neb.Rev.Stat. §77-369 provides comprehensive language for the Tax Commissioner to promulgate rules and regulations as necessary.

**Section 14** – Strikes an unnecessary certification of personal property tax exclusions to the Department of Administrative Services, as the Department of Revenue administers all aspects of this program. The certification required under Neb.Rev.Stat. §77-1239 is also untimely for budget purposes and requires the Department to use estimates rather than actual numbers.

**Section 15** – Provides relief to property taxpayers for damage or destruction due to a natural disaster occurring after the January 1 assessment date.

**Section 16** – Clarifies provisions of last session’s LB1090 regarding the new personal exemption credit and the increase in the standard deduction.

**Sections 17 to 19** – Current filing requirements for pass-through entities are confusing and dissimilar. The bill would harmonize these requirements so that all such entities with Nebraska-source income would be required to file a return, even if all the income is Nebraska-source income and all owners are Nebraska residents.

**Section 20** – Amends Neb.Rev.Stat. §77-2776 so that when a notice of deficiency is issued to a pass-through entity the actions taken by such entities regarding the notice are binding on the owners. This matches federal practice.

**Section 21 to 23** – Amend sections of the Homestead Program as follows:

- Neb.Rev.Stat. §77-3506 to eliminate the annual certification of 100% disability (or the Unremarried before age 50) of the surviving spouse;
- Neb.Rev.Stat. §77-3508 to clarify the definition of prosthesis for purposes of the disabled homestead exemption by cross referencing the sales tax definition in Neb.Rev.Stat. §77-2704.09(2)(h); and
- Neb.Rev.Stat. §77-3519 to allow homestead exemption claimants who are denied or have the exemption amount reduced because of home value to appeal the value by June 30.

**Section 24** – Amends Neb.Rev.Stat. §77-4111 to eliminate the requirement to adopt regulations governing the Employment and Investment Growth Act as the program no longer accepts applications.

**Section 25** – Amends Neb.Rev.Stat. §77-6203 to change from “shall” to “may” the promulgation of regulations for the nameplate capacity tax.

**Section 26** – Operative dates.

**Section 27 to 29** – Repealers.

**Section 31 – Emergency Clause.**

**Committee Amendment:** AM 423 – adopted

The amendment makes three changes. First it strikes Section 12. The bill as drafted would have removed the requirement for the Tax Commissioner to promulgate rules and regulations for the educational standards and criteria for certification for county assessor certificate holders. The requirement remains in statute with the amendment. The second change strikes Section 15 which created rules to address real property assessment due to a major calamity. Finally, the operative date section is now section 24. The section numbering within it has been adjusted and the repealer section has been corrected due to the elimination of section 12.

**Disposition at Sine Die:**

LB 512 was advanced to General File as amended. LB 512 passed Final Reading with the Emergency Clause, 45-0-4. LB 512 was approved by the Governor on May 30, 2019.

**LB 523 (Linehan) Provide a documentary stamp tax exemption for certain deeds and a property tax exemption for certain charitable organizations**

**Introduced Version:**

LB523 will make deeds transferring real property to or from a nonprofit organization operated for educational, religious, charitable, or cemetery purposes exempt from the documentary stamp tax.

The bill adds language to exempt property owned by a limited liability company property as long as the LLC is wholly owned by an organization that qualifies for the exemption and meets specific organizational requirements. These requirements are:

- The company is organized and operated exclusively to benefit and further the purposes of an organization whose property qualifies for the tax exemption;
- The company is wholly owned by and organization whose property qualifies for the tax exemption;
- Company prohibits discrimination in membership or employment based on race, color, or national origin;
- Prohibition on using the property of the company for financial gain or profit to the owner or user
- Prohibiting use of property for the sale of alcoholic liquors for more than 20 hours per week; and
- Upon dissolution of company, all assets shall be distributed to an origination whose property qualifies for the tax exemption.

LB523 has an operative date of January 1, 2020.

**Disposition at Sine Die:**

LB 523 remains in Committee.

**LB 707 (Erdman) Authorize the Tax Equalization and Review Commission to hold certain hearings by videoconference and telephone conference**

**Introduced Version:**

LB707 will allow hearings before a single commissioner of the Tax Equalization and Review Commission (TERC) to be held by videoconference or telephone conference.

**Disposition at Sine Die:**

LB 707 remains in Committee.

**LB 710 (Cavanaugh) Change provisions relating to tobacco including sales, crimes, a tax increase, and distribution of funds**

**Introduced Version:**

LB710 proposes to raise the tax on cigarettes from 64 cents per package to \$2.14 per package. Beginning July 1, 2020, and every fiscal year thereafter, the Nebraska Health Care Cash Fund will be increased from \$1,250,000 to \$47,400,000. The Nebraska Health Care Cash Fund will receive an additional \$13,000,000 to ensure future sustainability of the fund.

The tax on snuff shall be increased to 65% of the purchase price of such tobacco products paid by the first owner; or, the price at which a first owner who made, manufactured or fabricated the tobacco product sells the items to others. The exception is for any snuff with an applicable tax per 1.2 ounces net weight is less than the cigarette tax, the tax on snuff shall be the same as the cigarette tax.

The bill defines tobacco products to be:

- Any product that is made from or derived from tobacco, or that contains nicotine, that is intended for human consumption or is likely to be consumed, whether smoked, heated, chewed, absorbed, dissolved, inhaled, or ingested by any other means, including, but not limited to, a 23 cigar, pipe tobacco, chewing tobacco, snuff, or snus.
- Electronic smoking devices and any component or accessory used in the consumption of a tobacco product, such as filters, rolling papers, pipes, and substances used in electronic smoking devices, whether or not they contain nicotine.

Tobacco product does not include cigarettes as define in section 77-2601. Drugs, devices, or combination products authorized for sale by the federal Food and Drug Administration, as those terms are defined in the Federal Food, Drug and Cosmetic Act. The definition of cigarettes in section 77-2601 is changed to mean:

“ . . . any roll for smoking made wholly or in part of tobacco that weights four and one-half pounds or less per thousand and whether or not such tobacco is flavored, adulterated, or mixed with any other ingredient and (a) the wrapper or cover of which is made of paper or any other material excepting tobacco or (b) wrapped in any substance containing tobacco, however labeled or named, which, because of its appearance, size, the type of tobacco used in the filler, or its packaging, pricing, marketing, or labeling, is likely to be offered to or purchased by consumers as a cigarette described in subdivision (5)(a) of this section.”

Electronic smoking device is defined as any device that can be used to deliver aerosolized or vaporized nicotine, including, but not limited to, an e-cigarette, e-cigar, e-pipe, vape pen, or e-hookah. Electronic smoking device includes any component, part, or accessory of such a device, whether or not sold separately. It includes any substance intended to be aerosolized or vaporized during the use of the device.

An electronic smoking device does not include:

- Any battery or battery charger when sold separately; or
- Drugs, devices, or combination products authorized for sale by the federal Food and Drug Administration, as those terms are defined in the Federal Food, Drug and Cosmetic Act.

LB710 creates the Behavioral Health Provider Rate Stabilization Fund (Fund). The monies in the Fund will be credited from the taxes collected on cigarettes, any gifts, grants or donations and any other funds appropriated by the Legislature. The Fund shall be sued to support reimbursement of behavioral health services providers through provider rates within, but not limited to:

- The Children’s Health Insurance Program
- The Medical Assistance Act
- The Nebraska Behavioral Health Services Act
- The Nebraska Community Aging Services Act

The bill adds new language for the distribution of \$1.50 of the \$2.14 increase in the cigarette tax as follows:

- 17% of the \$1.50 to the General Fund. This is in addition to the 49 cents currently going to the General Fund.
- .5% to the Nebraska Outdoor Recreation Development Cash Fund.



- 1% to the University of Nebraska Medical Center and Creighton University Medical Center for cancer research.
- 2.5% to the Building Renewal Allocation Fund.
- 3% equally distributed to the University of Nebraska Medical Center, Creighton University Medical Center and Boys Town Center for Neurobehavioral Research in Children for children's behavioral research.
- 25% for Medicaid expansion.
- 4% to Nebraska public health departments.
- 2% to the University of Nebraska Medical Center College of Public Health.
- 2% for federally qualified health centers.
- 5% for smoking cessation and addiction services.
- 1% for area health education centers.
- 4% for cancer and smoking-related disease research.
- 1% to the Behavioral Health Education Center of Nebraska at the University of Nebraska Medical Center.
- 1% for emergency protective custody services and resources.
- 2% to the Behavioral Health Provider Rate Stabilization Fund for behavioral health rate basing.
- 6% to the State Children's Health Insurance Program to increase eligibility by 37%.
- 2% to improve health care delivery systems under the Patient Safety Improvement Act.
- 1% on emergency medical services workforce training and recruitment.
- 1% on other emergency medical services sustainability initiatives.
- 2.5% for paid family and medical leave start-up costs.
- 2% to the Nebraska Early Childhood Professional Record System.
- 5% for grades kindergarten through twelve education.
- 2% for health services in county corrections.
- .5% to the Human Trafficking Victim Assistance Fund.
- 2.5% for all telehealth services.

- 4% for beds in county hospitals and county-owned health centers for mental health treatment in counties containing a city of the metropolitan class and a county-owned health center.
- .5% to the Health and Human Services Cash Fund for traumatic brain injury research.

LB710 has an operative date of July 1, 2019.

The bill has the Emergency Clause.

**Disposition at Sine Die:**

LB 710 remains in Committee.